

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**1. BANKRUPTCY RECOVERY**

Background

On December 6, 1994, the County of Orange (the "County") filed for protection under Chapter 9 of the United States Bankruptcy Code as a result of losses arising out of the County investment pool (the "Pool"). The liquidation of the Pool's portfolio resulted in the realization of an investment loss of approximately \$1,600,000. This loss was recorded on the County's books and records for Fiscal Year (FY) 1994-1995 with approximately \$600,000 allocable (on a pro rata basis) to the County's accounts, and substantially all of the remainder allocable to accounts of non-County Pool participants, such as cities, school districts and special districts.

In response to the bankruptcy, the County prepared a comprehensive recovery plan, which incorporated budget cuts, administrative reorganization, a settlement agreement with Pool participants, and various methods to raise funds. The County obtained State legislation consisting of Chapters 745, 746, 747 and 748 of the 1995 Statutes (the "Recovery Statutes") to provide for certain monies received from the State that would have otherwise been allocated to other County funds and other governmental agencies, to be deposited to the County's General Fund.

The Recovery Statutes were subsequently challenged by a local taxpayer on December 18, 1996, when the County was named as one of the defendants in the "White Complaint." The White Complaint seeks a judicial declaration that, among other things, the County's bankruptcy Recovery Statutes are unconstitutional and violate State law. The White Complaint also seeks to enjoin further implementation of the Recovery Statutes and order the return of all monies transferred in accordance with the Recovery Statutes, plus interest. On August 8, 1997, the County's demurrer to the White Complaint was sustained without leave to amend. By order dated October 22, 1997, the court dismissed the action. White has appealed the trial court's decision and briefs have been filed in the Court of Appeal. No hearing date has been set by the Court of Appeal for this matter.

The recovery plan, including the Modified Second Amended Plan of Adjustment (the "Plan"), provides that the legislatively redirected revenues from the Recovery Statutes, or other County monies in an equivalent amount, together with certain other County revenues will be used to satisfy the principal and interest payments on the Plan of Adjustment Certificates of Participation (the "Plan COPs") and to amortize deficiencies in Class B-11, B-12 and B-13 County-Administered Account claims, as defined in the Plan. County-Administered account claims consist of investment losses in County-Administered accounts such as Unapportioned Property Taxes, but do not include investment losses for funds invested by outside entities investing with the County Treasurer. The Plan COPs in the amount of \$760,800, and Refunding Recovery Bonds (the "Recovery Bonds") in the amount of \$278,790, represent obligations of the County, payable from the General Fund. Including principal payments and defeasances, balances of the Plan COPs and the Recovery Bonds, as of June 30, 2000, are \$703,140 and \$247,455 respectively (See Note 6). The enacted Recovery Statutes provide the Plan COPs holders with statutory liens on the County's motor vehicle license fees and certain sales tax revenues, and further permitted the County to elect to have the amount of these fees and revenues necessary to pay each installment of principal and interest on this borrowing intercepted by the State Controller and paid directly to the trustee of the Plan COPs. The Recovery Bonds are secured by a pledge and intercept of motor vehicle license fees, pursuant to legislation adopted prior to the Recovery Statutes. Recent State legislation has reduced the amount of motor vehicle license fees paid by owners of automobiles in the State. The State has made up the difference in motor vehicle license fees collected under reduced rates and that which would have been collected under the old fee formula with monies from the State general fund.

The Plan was confirmed by the United States Bankruptcy Court for the Central District of California in its Order Confirming Modified Second Amended Plan of Adjustment entered on May 16, 1996. On June 12, 1996, the Plan COPs were issued, and the County emerged from bankruptcy. The County-elected fee and revenue interceptions for the Plan COPs began in July 1996.

Since FY 1996-97, redirected and intercepted revenues have been sufficient to pay debt service on the Plan COPs and to pay the annual amount of \$800 plus interest due on Option B Pool Participant warrants, as well as providing a total of \$41,979 of Available Cash (as defined in the Plan) to partially reimburse the County-Administered Accounts (as defined in the Plan) for losses allocated pursuant to the Comprehensive Settlement Agreement. In accordance with the provisions for allocation of Available Cash in the Plan, along with \$8,718 of other reimbursements, to date Class B-11 school participants and B-12 non-school participants have been repaid their total loss amount of \$13,099 and \$15,297, respectively. The remaining B-13 participants have been repaid \$22,301.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**1. BANKRUPTCY RECOVERY (Cont'd)**

The County's emergence from bankruptcy and proceeds of the Plan COPs, together with other provisions in the Plan and the proceeds of the County's June 12, 1996 \$121,680 Refunding Pension Obligations Bonds (Series 1996A), were used to cure the County's defaults under various terms of its debt obligations and to pay debt holders, vendors, employees, certain County-Administered Accounts, and other administrative undisputed claims in total, as well as replenish debt reserves for certain outstanding certificates of participation, fund a litigation reserve, and fund a reserve to pay disputed claims if determined adversely.

Pool-Related Litigation

On February 2, 2000, United States Bankruptcy Court Judge John E. Ryan of the Central District of California signed an order approving the following:

- 1) Distribution of Net Litigation Proceeds on February 24, 2000
- 2) Distribution in Respect to Assigned Excluded Claims
- 3) The Representative's Fees
- 4) Certain Other Actions of the Representative
- 5) The Representative's Final Report

On February 24, 2000, the total litigation proceeds of \$809,293 were distributed to Pool Participants, representing settlement proceeds of Pool-Related Litigation against certain brokers, accountants, attorneys and rating agencies who sold securities to the County, lent money to the County pursuant to reverse purchase agreements or advised the County in connection with several County borrowings. Of this amount, the County received \$311,952, of which \$5,771 was used to pay Class B-12 claims and \$9,000 was paid to Option B Pool Participants pursuant to the United States Bankruptcy Court Central District of California stipulation dismissing adversary proceeding of Option B Pool Participants against the County. The net proceeds to the County were \$297,181.

The net proceeds, along with cash from other sources, were used to reduce the County's debt related to the Taxable Pension Obligation Bonds Series 1994A and both the Taxable Refunding Pension Obligation Bonds Series 1996A and Series 1997A, collectively referred to as the "Pension Bonds." A Tender Offer process completed on May 11, 2000 resulted in the purchase and cancellation of approximately 45% of the outstanding Pension Bonds. The remaining Pension Bonds were prepaid through an economic defeasance on June 22, 2000. The total cash amount required for the two transactions was \$363,659 (See Note 6).

FY 2000-01 General Fund Budget

The FY 2000-01 General Fund Budget was adopted by the Board of Supervisors as a balanced budget on June 20, 2000, and includes all bankruptcy-related debt service payments and related redirected and intercepted revenues. The FY 2000-01 General Fund Budget of \$2,064,000 represents an increase of 8.7% over the FY 1999-00 Modified Budget. This budget funds all FY 2000-01 Board approved Strategic Priorities; reserves \$25,500 for future year planned strategic priority projects; and increases the contingency fund to \$21,000 (\$16,000 reserved plus \$5,000 appropriated).

In addition, the FY 2000-01 General Fund Budget adds \$5,000 to the Debt Prepayment fund established by the Board of Supervisors in October 1999. This fund is intended to be used to reduce County debt levels by defeasing high-coupon County General Fund debt obligations, which may have particularly onerous administrative and/or costly legal restrictions. By June 30, 2000 all Pension Obligation Bonds had been either legally or economically defeased, saving the General Fund about \$25,000 annually.

Management of the County anticipates that under current revenue funding levels, the County can continue to successfully fund the outstanding debt obligations, including debt issued pursuant to the Plan, operate County programs at current acceptable levels without program cuts, and provide increased funding for debt defeasance.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the more significant accounting policies of the County of Orange:

**A. Reporting Entity**

The County is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through an elected five-member Board of Supervisors which, as the governing body, is responsible for the legislative and executive control of the County. The County provides a full range of general government services, including police protection, detention and correction, public assistance, health and sanitation, recreation, library, flood control, waste management, airport management, and general financial and administrative support.

As required by generally accepted accounting principles, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations, and the County Board of Supervisors is typically their governing body. Therefore, data from these component units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the County. Management applied the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14 to determine whether the following component units should be reported as blended or discretely presented component units:

**Blended Component Units**

Orange County Flood Control District. The governing body of the District is the County's governing body. Among its duties, it approves the District's budget, determines the District's tax rates, approves contracts, and appoints the management. The District is reported in governmental fund types.

Orange County Development Agency. The governing body of the Agency is the County's governing body. Among its duties, it approves the Agency's budget and appoints the management. The Agency is reported in governmental fund types. Separate financial statements are issued for this component unit. Copies of the financial statements can be obtained from Housing & Community Development Accounting.

Orange County Housing Authority. The governing body of the Authority is the County's governing body. Among its duties, it approves the Authority's budget, determines the rates and charges for the use of facilities and appoints the management. The Authority is reported as an expendable trust fund.

Orange County Civic Center Authority. The Authority is a joint powers authority of the County and the City of Santa Ana. It has a five member governing body with two members appointed by each of the County and the City of Santa Ana and the fifth member appointed by the other four members. The County has control over operations and responsibility for fiscal management of the Authority. The Authority is fiscally dependent upon the County and provides almost all services entirely to the County. Separate financial statements are also issued for this component unit. Copies of the financial statements can be obtained from Public Facilities & Resources Department (PFRD) Accounting. The Authority is reported in governmental fund types.

Orange County Financing Authority. The Authority is a joint powers authority of the Orange County Development Agency and the Orange County Housing Authority, formed for the purpose of assisting the Orange County Development Agency in financing and refinancing its redevelopment projects and activities. The governing body of the Authority is the County's governing body. The Authority is reported in governmental fund types.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**A. Reporting Entity (Cont'd)**

Blended Component Units (Cont'd)

Orange County Special Financing Authority. The Authority is a joint powers authority of the County and the Orange County Development Agency, formed to assist in the refinancing of the County's Teeter Plan program, and in the financing of public capital improvements and other projects. The governing body of the Authority is the County's governing body. Separate financial statements are issued for this component unit. Copies of the financial statements can be obtained from the County Executive Office (CEO)/Public Finance Accounting. The Authority is reported in governmental fund types.

Orange County Public Financing Authority. The Authority is a joint powers authority of the County and the Orange County Development Agency, formed to provide financial assistance to the County by financing the acquisition, construction, and improvement of public facilities in the County. The governing body of the Authority is the County's governing body. The activities of the Authority occur within the proprietary fund types.

Orange County Public Facilities Corporation. The corporation has its own five member governing body appointed by the County's governing body, and provides services entirely to the primary government (the County) through the purchase, construction or leasing of land and/or facilities which are then leased back to the County. The Corporation is reported in governmental fund types.

County Service Areas, Special Assessment Districts, and Community Facilities Districts. The governing body of County Service Areas, Special Assessment Districts, and Community Facilities Districts ("special districts") is the County's governing body. Among its duties, it approves the special districts' budgets, approves parcel fees, special assessments and special taxes, and appoints the management. The special districts are reported in governmental fund types.

Discretely Presented Component Unit

Orange County Children and Families Commission. The Commission is administered by a governing board of nine members, who are appointed by the County Board of Supervisors. Its purpose is to develop, adopt, promote and implement early childhood development programs in the County, funded by additional State taxes on tobacco products approved by California voters via Proposition 10 in November 1998. The Commission is presented as a discrete component unit of the County because, although the County Board of Supervisors has no control over the revenues, budgets, staff, or funding decisions made by the Commission, the appointed Commission members serve at the will of the Board members who appoint them. Separate financial statements are issued for this component unit and copies of the financial statements can be obtained from the Commission through the County Executive Office.

**B. Fund Accounting**

The County uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary, and fiduciary "fund types."

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**B. Fund Accounting (Cont'd)**

**Governmental Fund Types:**

General Fund - The general fund is used to account for resources traditionally associated with government and all other resources which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and related costs.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary fund types and trust funds).

**Proprietary Fund Types:**

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies, or to other governmental entities, on a cost-reimbursement basis.

**Fiduciary Fund Types:**

Trust and Agency Funds - Trust and agency funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the County. When these assets are held under the terms of a formal trust agreement, a pension trust, investment trust, educational investment trust, nonexpendable trust or expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the County is under an obligation to maintain the trust principal. Agency funds are generally used to account for assets that the County holds on behalf of others as their agent.

**Account Groups:**

General Fixed Assets - The general fixed assets account group is used to account for all fixed assets of the County, other than those accounted for in proprietary funds or similar trust funds.

General Long-Term Debt - The General Long-Term Debt Account Group (GLTDAG) is used to account for the unmatured principal of bonds and notes, and other forms of noncurrent or long-term general obligation debt that are not a specific liability of any proprietary fund or similar trust funds.

The County maintains 495 individual funds. Certain similar special revenue, debt service, capital projects, enterprise, and trust and agency funds have been grouped on a functional basis in conformity with generally accepted accounting principles (GAAP) to enhance communication and understanding of the financial statements.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types, nonexpendable trust, pension trust, and investment trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type and similar trust fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is followed for the general, special revenue, debt service, capital projects, expendable trust and agency funds. Revenues and other governmental fund type financial resources increments (i.e., bond issuance proceeds) are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues which are accrued include real and personal property taxes, sales taxes, motor vehicle in-lieu taxes, fines, forfeitures and penalties, interest, federal and state grants and subventions, charges for current services, and the portion of long-term sales contracts and leases receivable that are measurable and available and where collectibility is assured. Revenues which are not considered susceptible to accrual include penalties on delinquent property taxes and minor licenses and permits.

Most expenditures are recorded when the related fund liabilities are incurred. However, inventory type items are considered expenditures at the time of use and principal and interest expenditures on bonded debt are recorded in the year in which they become due for payment. Costs of claims, judgments, compensated employee absences and employer pension contributions are recorded as expenditures during the fiscal year when they would normally be liquidated with expendable available financial resources. The related long-term obligation is recorded in the GLTDAG at year-end. Commitments such as purchase orders and contracts for materials and services are recorded as encumbrances. Reservations of fund balance are created for encumbrances outstanding at year-end.

The accrual basis of accounting is followed for enterprise, internal service, nonexpendable trust, pension trust, and investment trust funds. Generally, revenues are recognized when earned and expenses are recognized when incurred. Grants are recorded as nonoperating revenues when earned, except for those restricted for capital acquisitions, which are recorded as contributions to equity. Under GASB Statement No. 20, the County has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

**D. Budget Adoption and Revision**

No later than October 2nd of each year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors adopts a budget in accordance with Government Code Sections 29000-29144 and 30200. The County publishes the results of this initial budgeting process in a separate report, the "Final Budget," which specifies all accounts established within each fund-agency unit (a collection of account numbers necessary to fund a certain division or set of goal-related activities).

The governmental funds are comprised of multiple fund-agency units, with the exception of the "Parking Facilities," "Public Library," "Harbors, Beaches, and Parks District," "Taxable Note Repayment," "Restricted Refinancing Proceeds," "Recovery Certificates of Participation," "Deferred Compensation Reimbursement" and "Tobacco Settlement" special revenue funds; "Pension Obligation Bonds," "Refunding Recovery Bonds," and "Orange County Special Financing Authority," debt service funds; the "Public Library" and "Flood Control District" capital project funds, which are comprised of individual fund-agency units.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**D. Budget Adoption and Revision (Cont'd)**

Each year the initial adopted budget is adjusted to reflect increases or decreases in revenues and changes in fund balance, offset by an equal amount of increased appropriations for new reimbursement contracts not in the original budget. Department heads are authorized to approve appropriation transfers within a fund-agency unit. However, appropriation transfers between fund-agency units require approval of the Board of Supervisors. Accordingly, the lowest level of budgetary control exercised by the County's governing body is the fund-agency unit level which represents a Department or an Agency. Final appropriations reflected in the "Revised Budget" columns of the Combined Statement of Revenues, Expenditures/Encumbrances and Changes in Fund Balances - Budget and Actual on Budgetary Basis - All Governmental Fund Types include supplemental appropriations of \$732,974.

Annual budgets were adopted for the individual funds comprising the following governmental fund type fund categories (listed by fund type/fund category):

General

Special Revenue

- \* Parking Facilities and Civic Center Authority
- Roads
- Public Library
- Redevelopment Agency
- Flood Control District
- Harbors, Beaches and Parks District
- Service Areas, Lighting and Maintenance Districts
- Other Environmental Management
- Other Public Protection
- Community Services
- Taxable Note Repayment
- Designated Special Revenue Funds
- Restricted Refinancing Proceeds
- Recovery Certificates of Participation
- Schedule I County-Administered Accounts and Litigation Proceeds
- Plan of Adjustment Available Cash
- Deferred Compensation Reimbursement
- Tobacco Settlement

Debt Service

- Redevelopment Agency Bonds
- \* General Obligation, Other Revenue Bonds
- Pension Obligation Bonds
- Refunding Recovery Bonds
- Orange County Special Financing Authority

Capital Projects

- Criminal Justice Facilities
- Public Library
- Flood Control District
- Redevelopment Agency
- Special Assessment Districts, Community Facilities Districts and Service Areas

Excluded from the Combined Statement of Revenues, Expenditures/Encumbrances and Changes in Fund Balances - Budget and Actual on a Budgetary Basis are the following governmental fund type fund categories for which annual budgets were neither legally required nor adopted (listed by fund type/fund category):

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**D. Budget Adoption and Revision (Cont'd)**

Special Revenue  
Parking Facilities and Civic Center Authority

Debt Service  
Public Facilities Corporation Bonds, Master Lease  
Recovery Certificates of Participation

\* For reporting purposes, these fund categories include both budgeted and nonbudgeted funds. The following defines the funds included in those fund categories:

<u>FUND :</u>	<u>BUDGETED</u>	<u>NONBUDGETED</u>
<u>Special Revenue:</u> Parking Facilities and Civic Center Authority	Parking Facilities	Orange County Civic Center Parking/ General Operating Orange County Civic Center Parking/ Maintenance
<u>Debt Service:</u> General Obligation, Other Revenue Bonds	Flood Control District Bonds 1957 I & S Sanitation District 12 1963 Bond Redemption	Orange County Civic Center State Building Lease

**E. Encumbrances and Appropriations**

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the general, special revenue and capital projects funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Encumbrances outstanding at year-end represent the estimated amount of the expenditures which will ultimately result if the unperformed contracts in process at year-end are completed. Encumbrances at year-end do not constitute GAAP basis expenditures or liabilities. Only unencumbered, unexpended appropriations lapse at year-end and encumbrances outstanding at that time are reported as reservations of fund balance for subsequent year expenditures. For budgetary purposes, the total of expenditures plus encumbrances cannot legally exceed budgeted appropriations.

**F. Cash and Investments**

The County maintains a cash and investments pool (County Pool) for the purpose of benefiting from economies of scale through pooled investment activities. In addition, the County also maintains a separate cash and investments pool for the County public school and community college districts (Educational Pool). (See Note 3).

The County has stated required investments at fair value in the accompanying financial statements. Management contracts with an outside service to provide pricing for the fair value of investments in the portfolio. The investments are marked to market and the net asset value is calculated for both the County Pool and the Educational Pool each business day. Securities listed or traded on a national securities exchange are valued at the last quoted sales price. Short-term money market instruments are valued using an average of closing prices and rate data commonly known as matrix pricing.

Proceeds from County issued bonds are held by trustees and are invested in mutual funds, investment agreements, and U.S. Government securities. Short-term investments are reported at cost, while long-term investments, such as U.S. Government securities, are stated at fair value. The trustee uses an independent service to value those securities which are stated at fair value.



**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**F. Cash and Investments (Cont'd)**

The County has not provided or obtained any legally binding guarantees during the year to support the value of participants' shares in the pool.

The pools value participants' shares on an amortized cost basis. Specifically, the pool distributes income to participants based on their relative participation during the period. Income is calculated based on (1) realized investments gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and (4) investment and administrative expenses. This method differs from the fair value method used to value investments in these financial statements because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in the fair values of the pools' investments. At June 30, 2000, there is no material difference between pool participants' shares valued on an amortized cost basis compared to fair value.

**G. Inventory of Materials and Supplies**

Inventories consist of expendable materials and supplies held for consumption. Inventories are valued at cost determined on a moving weighted average basis. Applicable fund balances are reserved for amounts equal to the inventories on hand at the end of the fiscal year as these amounts are not available for appropriation and expenditure. The costs of inventory items are recorded as expenditures/expenses when issued to user departments/agencies.

**H. Land and Improvements Held for Resale**

These assets, held by the County's Development Agency, are valued at the lower of cost or estimated net realizable value.

**I. General Fixed Assets**

The General Fixed Assets Account Group records, at cost, the fixed assets which are not accounted for in an enterprise, internal service or similar trust funds. Such assets include land, buildings, building improvements, furniture, fixtures and equipment. Gifts and contributions of fixed assets are recorded at fair market value when received. No depreciation is provided on general fixed assets. Expenditures for streets, roads, bridges, curbs, gutters, sidewalks, flood channels, lighting systems, and similar assets are not capitalized, because they are immovable and of value only to the County.

**J. Property, Plant and Equipment of Enterprise and Internal Service Funds**

Fixed assets purchased by the enterprise and internal service funds are capitalized at cost, while contributed assets are recorded at their fair market value when received. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Depreciation of contributed assets is netted against contributed capital. Estimated useful lives of property, plant and equipment are as follows:

Structures and Improvements	10 to 50 years
Equipment	2 to 20 years

**K. Self-Insurance**

The County is self-insured for general and automobile liability and workers' compensation claims, and for claims arising under the group health indemnified plans, group salary continuance plan, group dental plan, and unemployment benefits program. Liabilities are accrued based upon estimated future amounts to be paid on known claims and incurred but not reported claims, including allocated loss adjustment expenses. (See Note 19).

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**L. Property Taxes**

The provisions of the California Constitution and Revenue and Taxation Code govern assessment, collection, and apportionment of real and personal property taxes. Real and personal property taxes are determined by applying approved property tax rates to the assessed value of properties as established by the County Assessor, in the case of locally assessed property, and as established by the State Board of Equalization, in the case of State-assessed public utility unitary and operating non-unitary property. Property taxes are levied annually, with the exception of the supplemental property taxes, which are levied when supplemental assessment events, such as sales of property or new construction, take place.

The County collects property taxes on behalf of all property tax-receiving agencies in Orange County. Property tax-receiving agencies include the school districts, cities, community redevelopment agencies, independently governed special districts (not governed by the County Board of Supervisors), special districts governed by the County Board of Supervisors, and the County General Fund.

Property taxes receivable are recorded as of the date levied in property tax unapportioned funds, which are classified as agency funds. When collected, the property taxes are deposited into the County Treasury into the property tax unapportioned funds, where they are held in the unapportioned taxes liability accounts pending periodic apportionment to the taxing agencies. The property tax unapportioned funds are included in the agency funds category of the County's general purpose financial statements because the unapportioned taxes are collected and held on behalf of other governmental agencies.

Property tax collections are apportioned to the tax-receiving agencies periodically from the tax unapportioned funds based on various factors including statutory requirements; materiality of collections received; tax delinquency dates; the type of property tax roll unapportioned fund (secured, unsecured, supplemental, delinquent secured, delinquent unsecured, delinquent supplemental, homeowners' property tax subvention, or public utility); and cash flow needs of the tax-receiving agencies.

Property tax revenues are recognized in the fiscal year for which they are levied, provided they are due and collected within the fiscal year and are distributed within 60 days after the fiscal year-end. Property tax revenues are also recognized for unsecured and supplemental property taxes that are due at year-end, and are collected within 60 days after the fiscal year-end, but will not be apportioned until the next fiscal year due to the timing of the tax apportionment schedule.

Unsecured and supplemental property tax levies that are due within the fiscal year but are unpaid at fiscal year-end are recorded as deferred revenue. The County uses the direct write-off method to recognize uncollectible taxes receivable.

The County also records collections of disputed property taxes, such as those paid for properties for which the values have been appealed to the local Assessment Appeals Boards, within the unapportioned tax liability accounts in the property tax unapportioned funds. Upon final disposition of the appeals and disputes, the amounts are either refunded to taxpayers or distributed to the tax-receiving agencies. As of June 30, 2000, tax refunds and assessed value tax roll corrections resulting from property tax appeals and other disputes represented approximately 0.5005 percent of the combined beginning secured and unsecured property tax roll charge.

The following are significant dates on the property tax calendar:

	<u>California Revenue &amp; Taxation Code Section</u>
Supplemental assessments are effective on the 1st day of the month following the new construction or ownership change.	75.41
Property tax lien date is January 1.	2192
Unsecured taxes on the roll as of July 31 are delinquent August 31.	2922
Assessor delivers roll to Auditor-Controller July 1.	616, 617

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**L. Property Taxes (Cont'd)**

	California Revenue & Taxation Code Section
Tax roll is delivered to the Tax Collector on or before the levy date (the 4th Monday in September).	2601
Secured tax payment due dates are: 1st Installment - November 1, and 2nd Installment - February 1.	2605 2606
Secured tax delinquent dates (last day to pay without a penalty) are: 1st Installment - December 10, and 2nd Installment - April 10.	2617 2618
Declaration of default for unpaid taxes occurs July 1.	3436
Power to sell is effective five years after tax default.	3691

**M. Compensated Employee Absences**

Compensated absences (vacation, compensatory time off, annual leave and sick leave) are accrued as an expense and liability in the proprietary fund when incurred. In the governmental fund types, only those amounts that are expected to be liquidated with expendable available financial resources are accrued as current year expenditures. Compensated absences that exceed this amount are reported in the GLTDAG and are not recorded as expenditures.

The estimate recorded at June 30, 2000, in the GLTDAG is \$74,342 compared with \$59,666 at June 30, 1999. The increase is attributable to attorneys and law management now being entitled to receive compensation for unused sick leave as part of their annual leave package. Most of this amount will ultimately be paid from the general fund.

**N. Total Columns on General Purpose Financial Statements**

The "Total" columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. They do not represent and are not comparable to consolidated financial information. Data in these columns do not purport to present financial position, results of operations, or cash flows of the County reporting entity in conformity with GAAP.

**O. Statement of Cash Flows**

Statements of Cash Flows are presented for proprietary fund types and the nonexpendable trust fund. Cash and equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the County's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits. The Cash and Cash Equivalents for the Enterprise Funds at June 30, 1999 have been increased by \$5,240 to properly reflect such balances at that day.

**P. Effect of New Pronouncements**

In December 1998, GASB issued Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," effective for periods beginning after June 15, 2000. The Statement establishes financial reporting standards to guide state and local governments' decisions about when (in which fiscal year) to report the results of nonexchange transactions (including taxes on retail sales of goods and services, property taxes, grants, and donations by nongovernmental entities) involving cash and other financial and capital resources. The County is analyzing its current accounting practices to determine the potential impact on the general purpose financial statements.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**P. Effect of New Pronouncements (Cont'd)**

In June 1999, GASB issued Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*," effective for periods beginning after June 15, 2001. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. GASB Statement No. 34 represents the most important single change in the history of accounting and financial reporting for state and local governments. One of the most significant changes is that all capital assets, including infrastructure, will be reported within the basic financial statements, along with depreciation expense and accumulated depreciation. Currently, infrastructure related to governmental funds is not reported in the financial statements. GASB Statement No. 34 provides an alternative to depreciation for infrastructure, termed the "modified approach." The modified approach requires the use of a qualified asset management system and additional schedules to be reported in another new element of the financial statements, the "Management's Discussion and Analysis (MD&A)" section. The costs to implement GASB Statement No. 34 are unknown at this time.

The County established a GASB 34 Steering Committee consisting of the Auditor-Controller, Chief Financial Officer, and the Public Facilities and Resources Department Director to address the myriad of complex financial reporting issues. The Steering Committee has designated six workgroups to develop detailed implementation plans as well as conduct the various complex analyses required to implement the new pronouncement. The Steering Committee has decided to use the traditional approach of reporting depreciation of infrastructure assets rather than the modified approach based on the recommendation of the Capital Assets Workgroup.

**Q. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Where significant estimates have been made in preparing these financial statements, they are described in the applicable footnotes.

**3. DEPOSITS AND INVESTMENTS**

Deposits and investments (including repurchase agreements) totaled \$3,739,619 as of June 30, 2000. Each fund's portion of this total is reflected in the balance sheet accounts entitled "Pooled Cash/Investments, Pooled Cash/Investments – Closure Costs, Cash Equivalents/Specific Investments, Imprest Cash Funds, Restricted Cash and Investments with Trustee, and Investments."

The Treasurer maintains the County Pool and the Educational Pool for the County and other non-County entities for the purpose of benefiting from economies of scale through pooled investment activities. The primary investment objectives, in priority order, of the Treasurer's investment activities are safety of principal, meeting the liquidity needs of the participants, attaining a money market rate of return, and attempting to stabilize at a \$1 net asset value. These external investment pools contain deposits, repurchase agreements, and other investments with an average maturity of less than 90 days. Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer. All interest income earned has been recognized in the fund reporting the investments. Income assigned to another fund due to a management decision is recognized in the fund that reports the investments and reported as an operating transfer to the recipient fund.

**A. Deposits**

Monies must be deposited in state or national banks, or state or federal savings and loan associations located within the State. The County is authorized to use demand accounts and certificates of deposit. Additionally, monies deposited at national banks are used for compensating balances.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**A. Deposits (Cont'd)**

Obligations pledged to secure deposits must be delivered to an institution other than the institution in which the deposit is made; however, they may be held by the trust department of the same institution. Written custodial agreements are required that provide, among other things, that the collateral securities are held separate from the assets of the custodial institution. The pledge to secure deposits is administered by the California Superintendent of Banks. Collateral is required for demand deposits at 110 percent of all deposits not covered by federal deposit insurance if obligations of the United States and its agencies, or obligations of the State or its municipalities, school districts, and district corporations are pledged. Collateral of 150 percent is required if a deposit is secured by first mortgages or first trust deeds upon improved residential real property located in California. All such collateral is considered to be held by the pledging financial institutions' trust departments or agents in the name of the County.

At year-end, the carrying amount of overdraft of the County's demand deposits was \$52,428. The related bank balance for the County's demand deposits was \$34,979, of which \$300 was insured by FDIC insurance with the remainder collateralized as described above. The County had \$137,314 in maturing securities the following business day to cover outstanding checks. In addition, the County had imprest cash funds in the amount of \$1,770 of which \$1,132 was insured by FDIC insurance with the remainder collateralized as described above.

In addition, the County held a portion of its Restricted Cash and Investments with Trustee in the form of non-participating Bank Investment Contracts (BICs). These BICs are considered deposits with financial institutions and amount to \$57,656, of which \$200 was insured by FDIC insurance with the remainder uncollateralized.

The Treasurer has established separate bank and custody accounts for the County's school participants.

**B. Investments**

The County's investment policies are governed by State statutes, Board of Supervisors' ordinances and resolutions, the respective bond documents, trust agreements, and other contractual agreements.

**External Investment Pools**

The County Treasurer sponsors two external investment pools, the County Pool and the Educational Pool.

The County Treasurer has a written Investment Policy Statement (IPS) specifically for the separately managed County and Educational Investment Pools. The assets in the Pools are required by the IPS to consist of the following investments and maximum permissible concentrations based on market value: U.S. Treasury instruments backed by the full faith and credit of the United States government (100%); obligations issued or guaranteed by agencies of the United States government (100%); commercial paper of a high rating (A1/P1/F1) as provided by at least two of the following nationally recognized rating agencies: Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch IBCA, Duff & Phelps ("Fitch"), with further restrictions regarding issuer size and maturity (40%); negotiable certificates of deposit issued by a nationally or state-chartered bank or state or federal association or by a state-licensed branch of a foreign bank with at least one billion dollars in assets (30%); bankers' acceptances (40%); money market funds (20%); State of California or municipal debt (10%); "AA" or better receivable-backed securities (10%); medium-term notes (30%); and repurchase agreements collateralized by securities at 102% of the cost adjusted no less frequently than weekly (50%).

Repurchase agreements are limited to a three-month maturity and can only be entered into with entities prescribed in California Government Code Sections 53601 and 53635. The securities underlying the agreements must be delivered to the County's custodial banks. The County enters into written master repurchase agreements that outline obligations of both the County and the dealers.

The County also enters into written contracts with custodial institutions that outline the basic responsibilities of those institutions for securities underlying the repurchase agreements. These custodial contracts and the County's procedures for monitoring the securities are similar to those for collateral on deposits.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**B. Investments (Cont'd)**

All permitted investments are required to comply in every respect with California Government Code Sections 53601 and 53635 (governing the investment of public funds) and other relevant California Government Code provisions.

The IPS expressly prohibits leverage, reverse repurchase agreements, structured notes or any volatile derivatives. The average maturity of the investment pool will not exceed 90 days. The maximum maturity of any portfolio instrument will be thirteen months or less (See Note 25). Under the IPS, no more than 5% of the total market value of the pooled funds may be invested in securities of any one issuer, except for obligations of the United States government, U.S. government agencies or government-sponsored enterprises. No more than 10% may be invested in one Money Market Mutual Fund. All investments will be United States dollar denominated.

Treasury oversight is conducted by the County Treasury Oversight Committee, established in December 1995, which consists of the CEO, the County Auditor-Controller, the County Superintendent of Schools and two public members. In addition, Fitch conducts quarterly IPS compliance according to agreed upon procedures. On July 14, 2000, Fitch continued the Pools' ratings of "AAA/V1+." The County and Educational Pools are not registered with the Securities and Exchange Commission.

The Educational Pool consists entirely of public school and community college districts required by state law to deposit their funds with the county treasurer. Accordingly, the entire Educational Pool consists of involuntary participants. At June 30, 2000, the County Pool includes approximately .3 percent external involuntary participant deposits for certain assessment districts and certain bond related funds for public school districts.

As of June 30, 2000, floating rate notes comprised less than 7% and 10% respectively, of the County and Educational Pools. Interest received on floating rate notes will rise or fall as the underlying index rate rises or falls. The use of floating rate notes in the County and Educational Pools is such that they hedge the portfolios against the risk of increasing interest rates.

**Condensed Financial Statements**

In lieu of separately issued financial statements for the external pools, condensed financial statements for both pools are presented below as of and for the year ended June 30, 2000:

	<u>County Pool</u>	<u>Educational Pool</u>	<u>Total</u>
<b><u>Statement of Net Assets</u></b>			
Net assets held for pool participants	\$ 1,897,322	\$ 1,200,681	\$ 3,098,003
Equity of internal pool participants	\$ 1,738,825	\$ --	\$ 1,738,825
Equity of external pool participants	158,497	1,200,681	1,359,178
Total Equity	<u>\$ 1,897,322</u>	<u>\$ 1,200,681</u>	<u>\$ 3,098,003</u>
<b><u>Statement of Changes in Net Assets</u></b>			
Net assets at July 1, 1999	\$ 1,601,794	\$ 1,000,775	\$ 2,602,569
Net change in investments by pool participants	295,528	199,906	495,434
Net Assets at June 30, 2000	<u>\$ 1,897,322</u>	<u>\$ 1,200,681</u>	<u>\$ 3,098,003</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**B. Investments (Cont'd)**

**Summary External Pool Financial Disclosures**

Selected summary disclosures for each external pool as of June 30, 2000, are presented below:

	Fair Value	Principal	Interest Rate Range (%)	Maturity Range	Weighted Average Days to Maturity
<u>County Pool</u>					
U.S. Government Agencies	\$ 41,839	\$ 42,617	Discount	07/13/00-11/24/00	37
Commercial Paper	758,468	766,815	Discount	07/03/00-08/23/00	17
Bankers' Acceptances	27,758	28,375	Discount	07/17/00-10/10/00	61
Medium-Term Notes	511,321	511,410	5.48-9.88%	07/01/00-06/25/01	153
Negotiable Certificates of Deposit	528,174	527,000	5.90-6.99%	07/06/00-03/20/01	141
Repurchase Agreements	59,000	59,000	7.00%	07/03/00	3
Money Market Mutual Funds	6,408	6,408	Variable	07/01/00	1
	<u>\$ 1,932,968</u>	<u>\$ 1,941,625</u>			<u>86</u>
<u>Educational Pool</u>					
Commercial Paper	\$ 446,508	\$ 449,872	Discount	07/05/00-08/10/00	15
Bankers' Acceptances	33,783	34,000	Discount	07/19/00-07/21/00	17
Medium-Term Notes	314,245	313,675	5.15-10.25%	08/15/00-07/01/01	157
Negotiable Certificates of Deposit	326,940	327,000	5.90-6.72%	07/13/00-03/02/01	120
Repurchase Agreements	40,000	40,000	7.00%	07/03/00	3
Money Market Mutual Funds	2,953	2,953	Variable	07/01/00	1
	<u>\$ 1,164,429</u>	<u>\$ 1,167,500</u>			<u>82</u>

Investments are categorized below as prescribed by GASB Statement No. 3 to indicate the level of custodial credit risk assumed by the County at year-end. Category 1 includes investments that are insured or registered, or securities held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the County's name.

LEVEL OF CUSTODIAL CREDIT RISK					
	Category			Not Subject to Categorization	Fair Value
	1	2	3		
	County Pool:				
U.S. Government Agencies	\$ 41,839	\$ --	\$ --	\$ --	\$ 41,839
Commercial Paper	758,468	--	--	--	758,468
Bankers' Acceptances	27,758	--	--	--	27,758
Medium-Term Notes	511,321	--	--	--	511,321
Negotiable Certificates of Deposits	528,174	--	--	--	528,174
Repurchase Agreements	59,000	--	--	--	59,000
Money Market Mutual Funds	--	--	--	6,408	6,408
Total Investments in County	1,926,560	--	--	6,408	1,932,968

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**B. Investments (Cont'd)**

<b>LEVEL OF CUSTODIAL CREDIT RISK</b>					
	Category			Not Subject to Categorization	Fair Value
	1	2	3		
<u>Educational Pool:</u>					
Commercial Paper	\$ 446,508	\$ --	\$ --	\$ --	\$ 446,508
Bankers' Acceptances	33,783	--	--	--	33,783
Medium-Term Notes	314,245	--	--	--	314,245
Negotiable Certificates of Deposits	326,940	--	--	--	326,940
Repurchase Agreements	40,000	--	--	--	40,000
Money Market Mutual Funds	--	--	--	2,953	2,953
Total Investments in Educational Pool	1,161,476	--	--	2,953	1,164,429
<u>Specific Investments:</u>					
U.S. Government Agencies	14,870	--	--	--	14,870
Commercial Paper	12,818	--	--	--	12,818
Medium-Term Notes	5,124	--	--	--	5,124
Negotiable Certificates of Deposits	1,727	--	--	--	1,727
Repurchase Agreements	1,082	--	--	--	1,082
Collateralized Investment Agreement	--	--	--	56,118	56,118
Money Market Mutual Funds	--	--	--	25,203	25,203
Total of Specific Investments	35,621	--	--	81,321	116,942
<u>Investments with Trustees:</u>					
U.S. Government Agencies	--	8,866	--	--	8,866
Commercial Paper	--	2,374	--	--	2,374
Medium-Term Notes	175,492	--	--	--	175,492
Repurchase Agreements	--	33,848	--	--	33,848
U.S. Government Securities	--	9,504	--	--	9,504
Mutual Funds	--	--	--	90,589	90,589
Guaranteed Investment Contracts	--	--	--	186,707	186,707
State Investment Pool (LAIF)	--	--	--	10,902	10,902
Total Investments with	175,492	54,592	--	288,198	518,282
Total Investments	\$ 3,299,149	\$ 54,592	\$ --	\$ 378,880	\$ 3,732,621

As of June 30, 2000, the County's investment in LAIF is \$10,902. The total amount invested by all public agencies in LAIF at that date is \$43,030,302. Of that amount, 93.77% is invested in non-derivative financial products and 6.23% in structured notes and asset backed securities. The Local Investment Advisory Board ("The Board") has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF which may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the County's position in the pool.



**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**3. DEPOSITS AND INVESTMENTS (Cont'd)**

**B. Investments (Cont'd)**

**RECONCILIATION OF DEPOSITS AND INVESTMENTS**

	<u>Total</u>
<u>Total Cash and Investments - Note 3:</u>	
Total Investments	\$ 3,732,621
Total Deposits - Carrying Amount Overdraft	(52,428)
Bank Investment Contracts	57,656
Imprest Cash Funds	1,770
Total Cash and Investments - Note 3	<u>\$ 3,739,619</u>

Total Cash and Investments - Combined Balance Sheet \* :

Pooled Cash/Investments	\$ 3,056,160
Pooled Cash/Investments - Closure Costs	38,170
Specific Investments:	
Cash Equivalents	\$ 31,716
Other Specific Investments	<u>32,333</u>
Imprest Cash Funds	1,770
Restricted Cash and Investments with Trustee	579,470
Total Cash and Investments - Combined Balance Sheet *	<u>\$ 3,739,619</u>

\* Amounts in the Combined Balance Sheet differ from amounts in the "Level of Custodial Credit Risk" schedule because that schedule is not required to report on deposits, overdraft or imprest cash which are reported in the Combined Balance Sheet.

**4. CHANGES IN GENERAL FIXED ASSETS**

The Schedule of Changes in General Fixed Assets includes general fixed assets of the County other than those accounted for in proprietary funds or similar trust funds. Additions and retirements in the County's general fixed assets during the fiscal year were as follows:

	Balance July 1, 1999	Additions	Retirements	Balance June 30, 2000
Land	\$ 243,997	\$ 20,570	\$ 1,067	\$ 263,500
Structures and Improvements	590,222	18,549	3,801	604,970
Equipment	185,309	24,592	4,787	205,114
Construction in Progress	189,171	25,169	2,397	211,943
Total	<u>\$ 1,208,699</u>	<u>\$ 88,880</u>	<u>\$ 12,052</u>	<u>\$ 1,285,527</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**4. CHANGES IN GENERAL FIXED ASSETS (Cont'd)**

Construction in progress is composed of the following:

<u>Project Title</u>	<u>Project Authorization</u>	<u>Expenditures to Date</u>	<u>Committed</u>	<u>Remaining Authorization</u>
Bolsa Chica Linear Park	\$ 5,969	\$ 512	\$ 39	\$ 5,418
Theo Lacy Building A Phase 2	31,377	16,972	12,697	1,708
Central Court House Remodel	5,056	1,199	--	3,857
Central Courthouse Seismic Retrofit	5,464	1,682	--	3,782
Central Justice Center-Phase II HVAC/ADA	7,444	62	6,752	630
CFD 87 Library Construction	5,962	--	--	5,962
Civic Center Development Report & Design	12,092	9,541	--	2,551
Foothill SE Substation	11,366	270	30	11,066
HCA Remodel 1719/1725 W 17 <sup>th</sup> Street	12,068	7,556	16	4,496
Joplin-Wastewater System	5,451	698	--	4,753
Theo Lacy Laundry Facility	11,474	--	--	11,474
CFD 88-1 Library Construction	6,794	6,000	--	794
Muni/South – 5 Court Additional Design	6,213	1,415	--	4,798
New Communications Center	16,974	1,304	--	15,670
New Criminal Court Facility	5,224	3,951	--	1,273
New South Court Facility	5,058	103	--	4,955
Newport Harbor HQ Building	7,971	3,838	143	3,990
Probation-Juvenile Hall 30 Bed Expansion/Security Fence	13,378	4,057	--	9,321
CFD 99-1A Public Facilities	5,798	28	--	5,770
800 MHZ CCCS Remote Sites	8,000	5,247	--	2,753
Rossmoor Pump Station, Phase I	9,023	--	--	9,023
CFD 87-4A School Facilities	8,070	5,812	--	2,258
Theo Lacy Jail Expansion	219,817	86,991	3	132,823
Upper Newport Bay Coastal Development Plan	23,346	5,582	762	17,002
All Other Projects *	199,926	49,123	12,378	138,425
Total	<u>\$ 649,315</u>	<u>\$ 211,943</u>	<u>\$ 32,820</u>	<u>\$ 404,552</u>

\* "All Other Projects" represents projects with individual appropriations of less than \$5 million.

**5. COUNTY PROPERTY ON LEASE TO OTHERS**

The County has noncancelable operating leases for certain buildings which are not material to the County's general operations. The Airport Enterprise Fund derives a substantial portion of its revenues from noncancelable operating leases with air carriers and concessionaires, and the Waste Management Enterprise Fund derives revenue from noncancelable operating leases with synthetic fuels corporations. The Enterprise Funds' property under operating leases, consisting primarily of structures and improvements, at June 30, 2000, approximates \$43,686.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**5. COUNTY PROPERTY ON LEASE TO OTHERS (Cont'd)**

The County's General Fund, Special Revenue Funds and Enterprise Funds lease real property to others under operating lease agreements for recreational boating, retail, restaurant, and other commercial operations. Future minimum rentals to be received under these noncancelable operating leases as of June 30, 2000, are as follows:

	General Fund	Special Revenue Funds	Enterprise Funds
FY 2000-2001	\$ 58	\$ 5,948	\$ 19,352
FY 2001-2002	57	4,601	19,359
FY 2002-2003	59	4,400	16,693
FY 2003-2004	47	4,370	16,693
FY 2004-2005	33	4,266	16,501
Subsequent Years	35	106,413	17,153
Total future minimum rentals	<u>\$ 289</u>	<u>\$ 129,998</u>	<u>\$ 105,751</u>

Total contingent rentals, which arise primarily from a percentage of lessee's gross revenues, amounted to approximately \$7 (General Fund), \$3,837 (Special Revenue Funds), and \$16,245 (Enterprise Funds) for the year ended June 30, 2000.

**6. LONG TERM OBLIGATIONS**

General Obligation Bonds Payable

The amount of bonded indebtedness the County can incur is limited by law to 1.25 percent of the last equalized assessment property tax roll. At June 30, 2000, the County had no net general obligation bonded debt. The County's legal debt limit for the year was \$2,614,206.

Revenue Bonds Payable, Certificates of Participation, and Master Lease Agreements

In 1971, the Orange County Civic Center Authority issued its \$4,600 State Building Revenue Bonds. The State Building Revenue Bonds are secured by "Revenues" defined as (a) all rental and other income received by the Authority as lessor under the Santa Ana Civic Center State Building Lease, (b) all rental and other income derived by the Authority from the use and operation of the project, (c) damage awards, if any, under a construction contract and (d) interest or other income derived from funds other than the Construction Fund. In accordance with the State Building Lease, monthly rental payments are made by the State of California. The State Building Bonds are not obligations of the County.

The County issued Master Lease Equipment Obligations on January 3, 1991 and February 1, 1993. These obligations are secured by base rental payments on the acquired equipment. The total outstanding equipment obligations as of June 30th were \$1,974 for the January 3, 1991 issue and \$4,875 for the February 1, 1993 issue.

Orange County Financing Authority and the Orange County Development Agency (OCDA) revenue bonds are secured and serviced by a pledge of the OCDA's allocation of property taxes derived from the total incremental taxable value of properties within the redevelopment areas.

On April 12, 1989, Certificates of Participation (COPs) in the principal amount of \$89,150 were delivered to finance the acquisition, construction and installation of a project, which includes a courthouse, intake facility, administration facility and two parking facilities. In 1992, the \$102,735 Refunding Certificates of Participation (Juvenile Justice Center Facility) were delivered. These COPs are secured by lease payments made by the County in accordance with a lease agreement between the County and the Orange County Public Facilities Corporation.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

In September 1994, the County issued its Taxable Pension Obligation Bonds, Series 1994A in the aggregate principal amount of \$209,840 and Series 1994B in the aggregate principal amount of \$110,200 (Series 1994 Pension Bonds). The Series 1994 Pension Bonds were issued to refund the County's obligation under a debenture issued in favor of the Orange County Employees' Retirement System (OCERS) to fund the County's unfunded actuarial accrued liability to OCERS. The Series 1994 Pension Bonds were partially refunded with proceeds of the County's Taxable Refunding Pension Obligation Bonds Series 1996A and Series 1997A (together with the Series 1994 Pension Bonds, the "Pension Obligation Bonds").

In June 1995, the County issued \$278,790 of 1995 Recovery Bonds. The 1995 Recovery Bonds are a General Fund obligation of the County and are being paid from motor vehicle license fees intercepted from the State Controller, to the extent there are sufficient fees available for debt service. These motor vehicle license fees, if not used to pay debt service, would otherwise be received by the County General Fund. The 1995 Recovery Bonds were issued to refund obligations of the County in partial satisfaction of claims of certain Investment Pool Participants pursuant to the Comprehensive Settlement Agreement between the County and such participants. In June 1998, the County spent \$31,000 from its Debt Repayment Reserve to purchase defeasance securities which were placed in escrow to legally defease a portion of the 1995 Recovery Bonds. The outstanding principal balance of these bonds as of June 30, 2000 was \$247,455.

On June 30, 1995, the Orange County Special Financing Authority issued \$155,000 in taxable (1995 Series A - \$32,400) and tax-exempt (1995 Series B through E - \$122,600) Teeter Plan Revenue Bonds (Teeter Bonds). The Teeter Bonds are limited obligations of the Authority payable solely from revenues consisting primarily of delinquent tax payments to be made by taxpayers under the County Teeter Plan program, to be received by the Authority, the County and a trustee. The outstanding principal balance of the Teeter Bonds as of June 30, 2000 was \$127,625.

On June 12, 1996, the County issued \$760,800 in the aggregate principal amount of its 1996 Recovery Certificates of Participation, Series A (Series A Certificates). Proceeds of the Series A Certificates were applied to (1) provide funds for the payment of the claims of the holders of the County's 1994-95 Taxable Notes and 1994-95 Tax and Revenue Anticipation Notes (Series A and Series B), whose maturities were extended to June 30, 1996, and the payment of certain other claims and uses approved by the Bankruptcy Court, (2) refund \$124,700 of outstanding COPs executed and delivered on behalf of the County, (3) fund a reserve account for the Series A Certificates and two months of capitalized interest, and (4) pay costs associated with the delivery of the Series A Certificates. . The Series A Certificates are general obligations of the County, are also secured by certain statutory liens and are payable from an intercept of motor vehicle license fees and certain sales taxes, to the extent there are sufficient license fees and sales tax funds available for debt service. These motor vehicle license fees and sales taxes, if not used to pay debt service, would otherwise be received by the County General fund. As of June 30, 2000, the outstanding principal balance of the Series A Certificates was \$703,140.

In July 1997, the County issued \$7,830 of COPs to finance the Superior Court ICMS program. The proceeds were used to refinance certain computer equipment originally purchased by the County pursuant to an Equipment Lease Purchase Agreement, dated April 9, 1996, and to finance the acquisition and installation of certain other computer equipment. Debt service payments are made by the County and reimbursed by the Superior Court. The outstanding principal balance of these COPs as of June 30, 2000 was \$2,820.

In July 1987, the County issued \$242,440 of Airport Revenue Bonds, Series 1987 to finance the construction of new facilities at John Wayne Airport. In October 1990, the County issued \$6,420 of COPs to finance the acquisition of loading bridges and baggage handling facilities (these certificates were defeased in July 1996). In July 1993, the County issued approximately \$79,755 of revenue bonds to partially refund the 1987 Bonds. In April 1997, the County completed a forward refunding of the majority of outstanding 1987 Bonds. The principal amount of the refunding was \$135,050. On July 1, 1997, the County called and redeemed the remaining 1987 Bonds, not otherwise refunded or redeemed, in the amount of \$28,410. The outstanding principal amount of Airport Revenue Bonds as of June 30, 2000 was \$194,152. The Airport Bonds are secured by a pledge of net revenues of the Airport Enterprise Fund.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

In November 1997, the Orange County Public Financing Authority issued \$77,300 Waste Management System Refunding Revenue Bonds, Series 1997, in order to refund the County of Orange, California, 1988 COPs. The outstanding principal balance of these bonds as of June 30, 2000, was \$72,367. The Waste Management System Bonds are secured by a pledge of "(1) the net operating revenues; (2) all money, securities and funds in the Waste Management Enterprise Fund that are required to be held or set aside therein for any purpose other than the payment of operating expenses pursuant to the terms of the sublease, but excluding any such money, securities and funds in the (i) closure account or any other fund or account required pursuant to state or federal law to be held in trust, (ii) environmental account in an amount not exceeding \$50,000, (iii) post-closure reserve account, or (iv) that were borrowed or received to pay capital costs and excluding any deposits or net incremental solid waste system revenues or any deposits that are required to be made in the rebate account; and (3) to the extent permitted by and in accordance with the procedures established under any applicable law, any rights of the County under any approvals, licenses and permits relating to the System." (Citation from the Official Statement for the Orange County Public Financing Authority Waste Management System Refunding Revenue Bonds, Series 1997).

In December 1987, COPs representing the proportionate interests of the owners thereof in lease payments made by the County under the lease agreements typically between the County and the Orange County Public Facilities Corporation were delivered. The proceeds were used to finance the acquisition, construction and installation of two parking structures located in the City of Santa Ana. These certificates were refunded in 1991 with the \$33,579 Refunding COPs (Civic Center Parking Facilities Project). The Refunding COPs are secured by lease payments made by the County through a facilities lease with the Orange County Facilities Corporation.

In prior years, various bonds, COPs and other obligations have been advance refunded. These obligations are considered defeased and the long-term debt liability has been removed from the related General Long-Term Debt Account Group and Enterprise Funds. As of June 30, 2000, \$134,515 of legally defeased debt remains outstanding.

During fiscal year 1999-00, the following events concerning County debt obligations took place:

**Teeter Plan Revenue Bond Remarketing**

Of the \$7,700 Series A bonds remarketed in November 1998, \$2,700 were retired in October 1999, reducing the outstanding 1995 Series Bonds from \$130,325 to \$127,625. The \$34,000 Series C bonds underwent a mandatory tender on November 1, 1999, and were remarketed and converted from fixed rate bonds at 6.15% to variable rate bonds. After the conversion, interest rates, determined on a weekly basis, have ranged from 2.05% to 5.65% payable monthly.

**Pension Obligation Bonds**

On May 11, 2000, a cash tender offer of certain outstanding Pension Obligation Bonds was completed. The County purchased and canceled \$288,290 (maturity value) of Pension Obligation Bonds for a cost of \$179,016. On June 22, 2000, the debt service on the outstanding Pension Obligation Bonds was provided for through the deposit with the trustee of \$175,492 principal amount of "AAA" rated debt securities issued by Fannie Mae along with \$9,151 in debt service funds already being held by the trustee. In accordance with irrevocable instructions, these securities, together with other cash amounts and investments held by the trustee, will be used solely to retire the remaining Pension Obligation Bonds as they mature. Since the securities purchased may have varying timing and collection of principal and interest, this was an economic defeasance and not a legal defeasance. This debt will be reported in the County's financial statements until it is fully redeemed.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

Revenue bonds and certificates outstanding and related activity for the year ended June 30, 2000 were as follows:

Description	Balance July 1, 1999	Issuances, Discount Amortization and Accretions	Assignments/ Retirements	Balance June 30, 2000
<b><u>General Long-Term Debt Account Group:</u></b>				
<b>Orange County Civic Center Authority</b>				
<b><u>1971 State Building Revenue Bonds:</u></b>				
Date Issued: December 1, 1971				
Interest Rate: 5.00% to 5.40%				
Original Amount: \$4,600				
Maturing in installments through				
December 1, 2001.				
	\$ 930	\$ --	\$ (290)	\$ 640
<b>Master Lease Schedule No. 2</b>				
<b><u>1990 Equipment Project</u></b>				
<b><u>Purchaser Certificates:</u></b>				
Date Issued: January 3, 1991				
Interest Rate: 7.00%				
Original Amount: \$16,475				
Maturing in installments through				
September 1, 2000.				
	2,974	--	(1,000)	1,974
<b>Orange County Public Facilities</b>				
<b><u>Refunding Certificates of Participation: (Civic</u></b>				
<b><u>Center Parking Facilities Project)</u></b>				
Date Issued: August 1, 1991 - Current Interest				
Rate Bonds (CIB) and Capital Appreciation				
Bonds (CAB)				
To refund prior December 22, 1987 bond issue				
Interest Rate: CIB 4.40% to 6.75%				
Interest Rate: CAB - 6.85% to 7.05%				
Original Amount: CIB - \$24,495				
Original Amount: CAB - \$9,084				
Maturing in installments through				
December 1, 2018.				
	28,612	1,020	(1,825)	27,807
<b>Orange County Financing Authority</b>				
<b><u>Tax Allocation Revenue Bonds - Series 1992 A:</u></b>				
<b><u>(Neighborhood Development and Preservation</u></b>				
<b><u>Project)</u></b>				
Date Issued: June 1, 1992 - Current Interest				
Rate Bonds (CIB) and Capital Appreciation				
Bonds (CAB)				
To refund prior June 1, 1989 Orange County				
Development Agency bond issue				
Interest Rate: CIB - 4.50% to 6.50%				
Interest Rate: CAB - 6.50% to 6.55%				
Original Amount: CIB - \$27,150				
Original Amount: CAB - \$932				
Maturing in installments through				
September 1, 2022.				
	27,961	97	(170)	27,888

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
(Dollar Amounts in Thousands)

**6. LONG TERM OBLIGATIONS (Cont'd)**

Description	Balance July 1, 1999	Issuances, Discount Amortization and Accretions	Assignments/ Retirements	Balance June 30, 2000
<b>Orange County Public Facilities Corporation</b>				
<b><u>Refunding Certificates of Participation:</u></b>				
<b><u>(Juvenile Justice Center Facility)</u></b>				
Date Issued: June 1, 1992 and delivered July 7, 1992 to refund prior April 1, 1989 bond issue				
Interest Rate: 4.70% to 6.375%				
Original Amount: \$102,735				
Maturing in installments through June 1, 2019.	88,795	--	(2,410)	86,385
<b>Orange County Financing Authority</b>				
<b><u>Tax Allocation Revenue Bonds - Series 1992 B:</u></b>				
<b><u>(Neighborhood Development and Preservation Project)</u></b>				
Date Issued: July 1, 1992				
Interest Rate: 4.20% to 7.40%				
Original Amount: \$3,185				
Maturing in installments through September 1, 2000.	960	--	(465)	495
<b>Orange County Public Facilities Corporation</b>				
<b><u>Revenue Bonds</u></b>				
<b><u>Master Lease Program:</u></b>				
Date Issued: February 1, 1993				
Interest Rate: 3.40% to 5.50%				
Original Amount: \$24,780				
Maturing in installments through September 1, 2003.	4,875	--	--	4,875
<b>Orange County Development Agency</b>				
<b><u>Santa Ana Heights Project Area 1993</u></b>				
<b><u>Tax Allocation Revenue Bonds:</u></b>				
Date Issued: August 1, 1993 to refund prior September 1, 1987 bond issue				
Interest Rate: 3.25% to 6.20%				
Original Amount: \$57,965				
Maturing in installments through September 1, 2023.	53,880	--	(995)	52,885
<b>County of Orange</b>				
<b><u>Taxable Pension</u></b>				
<b><u>Obligation Bonds - Series 1994 A:</u></b>				
Date Issued: September 1, 1994				
Interest Rate: 6.15% to 8.21%				
Original Amount: \$209,840				
Maturing in installments through September 1, 2004.	58,850	--	(42,350)	16,500

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
(Dollar Amounts in Thousands)

**6. LONG TERM OBLIGATIONS (Cont'd)**

Description	Balance July 1, 1999	Issuances, Discount Amortization and Accretions	Assignments/ Retirements	Balance June 30, 2000
<b>County of Orange</b>				
<b><u>Refunding Recovery Bonds - Series 1995 A:</u></b>				
Date Issued: June 1, 1995				
Interest Rate: 5.0% to 6.50%				
Original Amount: \$278,790				
Maturing in installments through June 1, 2015.	247,455	--	--	247,455
<b>Orange County Special Financing Authority</b>				
<b><u>Teeter Plan Revenue Bonds</u></b>				
<b><u>Series A through E:</u></b>				
Date Issued: June 1, 1995				
Interest Rate: 6.15% to 6.85% (Series D,E)				
Interest Rate: Variable (Series A,B,C)				
Original Amount: \$155,000				
Maturing in installments through November 1, 2014.	130,325	--	(2,700)	127,625
<b>Orange County Public Facilities Corporation</b>				
<b><u>Recovery Certificates of Participation</u></b>				
<b><u>Series 1996 A:</u></b>				
Date Issued: June 1, 1996				
Interest Rate: 4.20% to 6.00%				
Original Amount: \$760,800				
Maturing in installments through July 1, 2026.	724,350	--	(21,210)	703,140
<b>County of Orange</b>				
<b><u>Taxable Refunding Pension</u></b>				
<b><u>Obligation Bonds - Series 1996 A:</u></b>				
Date Issued: June 1, 1996 - Current Interest Rate Bonds (CIB)				
Date Issued: June 12, 1996 - Capital Appreciation Bonds (CAB)				
To refund prior September 1, 1994 bond issue.				
Interest Rate: CIB - 7.47% to 7.72%				
Interest Rate: CAB - 8.09% to 8.26%				
Original Amount: CIB - \$81,680				
Original Amount: CAB - \$40,000				
Maturing in installments through September 1, 2010 (CIB) and September 1, 2016 (CAB).	132,815	842	(57,028)	76,629



**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

Description	Balance July 1, 1999	Issuances, Discount Amortization and Accretions	Assignments/ Retirements	Balance June 30, 2000
<b>County of Orange</b>				
<b><u>Taxable Refunding Pension</u></b>				
<b><u>Obligation Bonds – Series 1997 A:</u></b>				
Date Issued: January 1, 1997 - Current Interest Rate Bonds (CIB)				
Date Issued: January 14, 1997 - Capital Appreciation Bonds (CAB)				
To refund a substantial portion of the September 1, 1994 bond issue.				
Interest Rate: CIB - 5.71% to 7.36%				
Interest Rate: CAB - 7.33% to 7.96%				
Original Amount: CIB - \$71,605				
Original Amount: CAB - \$65,318				
Maturing in installments through September 1, 2010 (CIB) and September 1, 2021 (CAB).	144,335	(1,193)	(69,583)	73,559
<b>County of Orange</b>				
<b><u>Superior Court ICMS</u></b>				
<b><u>1997 Certificates of Participation:</u></b>				
Date Issued: July 30, 1997				
Interest Rate: 4.50% to 5.00%				
Original Amount: \$7,830				
Maturing in installments through August 1, 2001.	5,375	--	(2,555)	2,820
<b>Subtotal - General Long-Term Debt</b>	<b>\$ 1,652,492</b>	<b>\$ 766</b>	<b>\$ (202,581)</b>	<b>\$ 1,450,677</b>
<b>Account Group</b>				
<b><u>Enterprise Funds:</u></b>				
<b><u>Airport Revenue Refunding Bonds - Series 1993:</u></b>				
Date Issued: July 1, 1993 to refund \$68,440 of the 1987 Airport Revenue bond issue.				
Interest Rate: 3.00% to 5.50%				
Original Amount: \$79,755				
Maturing in installments through July 1, 2018.	72,691	111	(2,220)	70,582
Deferred Amount on Refunding (1993 Airport Revenue Bonds)	(8,967)	460	--	(8,507)
<b><u>Airport Revenue Refunding Bonds - Series 1997:</u></b>				
Date Issued: April 2, 1997 to refund \$131,490 of the 1987 Airport Revenue bond issue.				
Interest Rate: 5.00% to 6.00%				
Original Amount: \$135,050				
Maturing in installments through July 1, 2012.	130,482	(362)	(6,550)	123,570
Deferred Amount on Refunding (1997 Airport Revenue Bonds)	(7,205)	1,328	--	(5,877)

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

Description	Balance July 1, 1999	Issuances, Discount Amortization and Accretions	Assignments/ Retirements	Balance June 30, 2000
<b>Orange County Public Financing Authority</b>				
<b><u>Waste Management System Refunding Revenue</u></b>				
<b><u>Bonds - Series 1997:</u></b>				
Date Issued: November 18, 1997 to refund				
\$77,445 of the OCPFC 1988 Certificate of				
Participation (Solid Waste Management System)				
Interest Rate: 4.375% to 5.75%				
Original Amount: \$77,300				
Maturing in installments through				
December 1, 2013.	75,942	(200)	(3,375)	72,367
Deferred Amount on Refunding (1997 Orange				
County Public Financing Authority Revenue				
Bonds)				
	(6,186)	665	--	(5,521)
<b>Subtotal - Enterprise Funds</b>	<b>\$ 256,757</b>	<b>\$ 2,002</b>	<b>\$ (12,145)</b>	<b>\$ 246,614</b>
<b>Total</b>	<b>\$ 1,909,249</b>	<b>\$ 2,768</b>	<b>\$ (214,726)</b>	<b>\$ 1,697,291</b>

The following is a schedule of all long-term debt service requirements to maturity by fund type and account group on an annual basis (in thousands):

Fiscal Year(s) Ending June 30	Enterprise Funds	General Long- Term Debt Account Group	Total
2001	\$ 26,806	\$ 153,052	\$ 179,858
2002	26,621	142,251	168,872
2003	26,741	126,859	153,600
2004	26,587	122,129	148,716
2005	26,555	121,076	147,631
2006-2027	248,980	1,965,676	2,214,656
Total	382,290	2,631,043	3,013,333
Less: Interest and Unaccrued			
Principal	(116,694)	(1,212,950)	(1,329,644)
Deferred Amount on Refunding	(19,905)	--	(19,905)
Discount	(2,054)	--	(2,054)
Add: Premium	2,977	--	2,977
Accrued Value of CABs	--	32,584	32,584
Principal Payable	<u>\$ 246,614</u>	<u>\$ 1,450,677</u>	<u>\$ 1,697,291</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**6. LONG TERM OBLIGATIONS (Cont'd)**

**Special Assessment District Bonds**

Special Assessment District Bonds consist of Assessment District Bonds and Community Facilities District Bonds.

Assessment District Bonds are issued pursuant to provisions of the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code). Proportionate shares of principal and interest installments sufficient in aggregate to meet annual bond debt service requirements are included on the regular county tax bills sent to owners of property against which there are unpaid assessments. Neither the faith and credit nor the taxing power of the County, the State, or any political subdivision thereof is pledged to the payment of the bonds. Assessment District Bonds represent limited obligations of the County payable solely from special assessments paid by property holders within each district. Accordingly, such obligations are not included in the accompanying general purpose financial statements.

Community Facilities District Bonds are issued pursuant to the Mello-Roos Community Facilities Act of 1982, as amended and are payable from a portion of certain special taxes to be levied on property within the boundaries of the Community Facilities District. Except for the special taxes, no other taxes are pledged to the payment of the bonds. The bonds are not general or special obligations of the County nor general obligations of the District, but are limited obligations of the District payable solely from certain amounts deposited by the District in the special tax fund. Accordingly, such obligations are not included in the accompanying general purpose financial statements.

The County is acting as an agent of the assessment and community facilities districts in collecting the assessments and special taxes, forwarding the collections to other paying agents or directly to bondholders, and initiating any necessary foreclosure proceedings. Because of the County's limited obligation in connection with special assessment district and community facilities district debt, related transactions are recorded as contributions and distributions within the Investment Trust Fund.

Major capital outlay expenditures relating to these bonds are accounted for in the "Special Assessment Districts, Community Facilities Districts and Service Areas" Capital Projects Fund.

Special assessment district and community facilities district bonds outstanding as of June 30, 2000, are \$698,167.

**7. ARBITRAGE REBATE PAYABLE**

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years.

In accordance with the arbitrage regulations, if excess earnings were calculated, 90% of the amount calculated would be due to the Internal Revenue Service (IRS) at the end of each five year period. The remaining 10% would be recorded as a liability and paid after all bonds had been redeemed. During the current year, the County performed calculations of excess investment earnings on various bonds and financings. Liabilities were calculated for the four issues listed below. However, the five year reporting period has not occurred and therefore the full amount calculated has been recorded as a liability to the IRS. The rebate amounts are recorded as liabilities in the GLTDAG and the Integrated Waste Management Department Enterprise Fund (IWMD).

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**7. ARBITRAGE REBATE PAYABLE (Cont'd)**

The County has determined that an arbitrage rebate liability of \$146 at June 30, 2000, is due to the IRS and is comprised of the following:

<u>GLTDAG</u>	
County of Orange Certificates of Participation, 1997	\$ 4
Orange County Public Facilities Corporations, 1992	22
Orange County Public Facilities Corporations, 1991	12
<u>IWMD</u>	
Orange County Public Financing Authority Refunding Revenue Bonds, 1997	108
	<u>\$ 146</u>

During FY 1999-00, the County made no arbitrage rebate payments.

**8. CONDUIT DEBT OBLIGATIONS**

From 1980 through 2000 the County issued bonds under the authority of Chapter 7 of Part 5 of Division 3 of the Health and Safety Code of the State of California. The purpose of the bonds is to finance the purchase of single family homes and the construction of multi-family units to benefit low and moderate income families.

The bonds are secured by the property financed and are payable solely from revenue of the projects and payments received on the underlying mortgage loans.

The bonds do not constitute an indebtedness or liability of the County and neither the County, the State of California nor any political subdivisions thereof is obligated in any manner for the repayment of the bonds and in no event shall the bonds be payable out of any funds or properties of the County. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2000, there were 85 series of bonds outstanding, with an aggregate principal amount payable of \$1,273,044.

**9. LEASES**

Commitments Under Operating Leases

The County is committed under various operating leases primarily for office buildings, office equipment and other equipment. The following is an approximation of future minimum operating lease commitments:

	Equipment	Real Property	Total
FY 2000-2001	\$ 16,057	\$ 25,868	\$ 41,925
FY 2001-2002	12,478	22,765	35,243
FY 2002-2003	5,017	21,856	26,873
FY 2003-2004	2,303	20,459	22,762
FY 2004-2005	--	19,708	19,708
Subsequent years	--	46,460	46,460
Total	<u>\$ 35,855</u>	<u>\$ 157,116</u>	<u>\$ 192,971</u>

Total rent expenditures for operating leases incurred for FY 1999-00 were \$36,812.

Capital Leases

The following is an analysis of property leased under capital leases:

	General Fixed Assets Account Group
Equipment	\$ 48
Land, Structures and Improvements	68,249
Total	<u>\$ 68,297</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**9. LEASES (Cont'd)**

The following are the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2000:

	General Long-Term Debt Account Group
FY 2000-2001	\$ 7,722
FY 2001-2002	6,730
FY 2002-2003	6,893
FY 2003-2004	7,132
FY 2004-2005	7,431
Subsequent years	67,844
Total minimum lease payments	103,752
Less: amount representing interest	(47,378)
Present value of net minimum lease payments	<u>\$ 56,374</u>

The majority of the capital lease obligations payable in the GLTDAG will be financed by the General Fund. Property acquired under capital leases is collateral for the capital lease obligations.

The following is a summary of changes in capital lease obligations for the General Long-Term Debt Account Group:

	Lease Principal Outstanding July 1, 1999	Obligations Incurred During Year	Lease Principal Paid/Reduced During Year	Lease Principal Outstanding June 30, 2000
Total capital lease obligations	<u>\$ 43,264</u>	<u>\$ 19,685</u>	<u>\$ 6,575</u>	<u>\$ 56,374</u>

**10. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables by fund are as follows:

	Other Funds		Primary Government		Component Unit	
	Due From	Due To	Due From	Due To	Due From	Due To
General Fund	\$ 118,799	\$ 35,832	\$ --	\$ --	\$ 18	\$ --
Special Revenue Funds:						
Parking Facilities & Civic Center Authority	352	54	--	--	--	--
Roads	2,336	1,197	--	--	--	--
Public Library	55	85	--	--	--	--
Redevelopment Agency	1,458	571	--	--	--	--
Flood Control District	2,324	1,051	--	--	--	--
Harbors, Beaches & Parks District	3,212	1,558	--	--	--	--
Service Areas, Lighting & Maintenance Districts	23	5	--	--	--	--
Other Environmental Management	2,770	3,247	--	--	--	--
Other Public Protection	15,320	6,553	--	--	--	--
Community Services	145	261	--	--	--	--
Designated Special Revenue Funds	6,820	14,067	--	--	--	--
Restricted Refinancing Proceeds	8,976	--	--	--	--	--
Recovery Certificates of Participation	92	4	--	--	--	--
Schedule 1 County - Administered Accounts and Litigation Proceeds	76	1	--	--	--	--
Plan of Adjustment Available Cash	11,992	--	--	--	--	--
Deferred Compensation Reimbursement	119	2	--	--	--	--
Tobacco Settlement	4	--	--	--	--	--
	<u>56,074</u>	<u>28,656</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**10. INTERFUND RECEIVABLES AND PAYABLES (Cont'd)**

	Other Funds		Primary Government		Component Unit	
	Due From	Due To	Due From	Due To	Due From	Due To
Debt Service Funds						
Redevelopment Agency Bonds	\$ 718	\$ 1,425	\$ --	\$ --	\$ --	\$ --
Public Facility Corporation Bonds, Master Lease	1	--	--	--	--	--
Pension Obligation Bonds	329	8	--	--	--	--
	<u>1,048</u>	<u>1,433</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Capital Projects Funds						
Criminal Justice Facilities	1,347	6	--	--	--	--
Public Library	45	--	--	--	--	--
Flood Control District	1,981	180	--	--	--	--
Redevelopment Agency	443	719	--	--	--	--
Special Assessment Districts, Community Facilities Districts, and Service Areas	1,141	129	--	--	--	--
	<u>4,957</u>	<u>1,034</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Enterprise Funds						
Airport	677	3,185	--	--	--	--
Waste Management	4,550	3,841	--	--	--	--
	<u>5,227</u>	<u>7,026</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Internal Service Funds						
Self-Insured Benefits	47	1	--	--	--	--
Unemployment Insurance	94	2	--	--	--	--
County Indemnity Health Plan	508	12	--	--	--	--
Workers' Compensation	177	18	--	--	--	--
Property and Casualty Risk	1,064	23	--	--	--	--
Transportation	1,576	143	--	--	--	--
Publishing Services	32	260	--	--	--	--
Telephone	324	8	--	--	--	--
	<u>3,822</u>	<u>467</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Trust and Agency Funds						
Expendable Trust						
Orange County Housing Authority	687	--	--	--	--	--
Nonexpendable Trust						
Regional Park Endowment	3	--	--	--	--	--
Pension Trust						
Defined Benefit Retirement Plan	41	1	--	--	--	--
Investment Trust						
Investment Pool	20,476	4,863	--	--	--	--
Educational Investment Pool	27	1	--	--	--	--
Agency						
Unapportioned Tax and Interest Funds	5	38,855	--	--	--	934
Clearing and Revolving Funds	4,492	--	--	--	--	--
Departmental Funds	9,803	107,293	--	--	--	--
	<u>35,534</u>	<u>151,013</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>934</u>
Component Unit						
Orange County Children and Families Commission	--	--	934	18	--	--
Total	<u>\$ 225,461</u>	<u>\$ 225,461</u>	<u>\$ 934</u>	<u>\$ 18</u>	<u>\$ 18</u>	<u>\$ 934</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**11. DEFICIT EQUITY BALANCES OF INDIVIDUAL FUNDS**

The following funds have deficit retained earnings:

<u>Fund</u>	<u>Deficit</u>
Internal Service	
Workers' Compensation	\$33,760
Transportation	225

The deficit in the Workers' Compensation Fund results from accrual of known losses and actuarially-determined incurred but not reported claims (IBNR). Charges to County departments have not provided a sufficient cash flow to entirely fund the IBNR. The deficit has increased from the previous fiscal year due to increases in the costs of permanent disabilities and a trend of rising medical costs. The County anticipates increasing charges to departments over the next five years in order to achieve an adequate funding level.

Although the Transportation Internal Service Fund had a deficit in retained earnings, total fund equity is not in a deficit since it includes contributed capital of \$17,685.

**12. BUDGETARY BASIS OF ACCOUNTING**

Reconciliation of Actual Operations on a Budgetary Basis to Modified Accrual Basis

The accompanying Combined Statement of Revenues, Expenditures/Encumbrances and Changes in Fund Balances - Budget and Actual on Budgetary Basis presents comparisons of the legally adopted budget (more fully described in Note 2.D) with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of resultant basis, timing, and entity differences in the corresponding ending fund balances as reported on the general purpose financial statements for the year ended June 30, 2000, is presented below:

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Fund balances, as reported on the Combined Statement of Revenues, Expenditures/Encumbrances and Changes in Fund Balances (budgetary basis)	\$ 162,251	\$ 401,969	\$ 414,895	\$ 355,944
Adjustments:				
Effects of encumbrances on expenditures (timing differences)	74,551	29,579	--	(61,696)
For nonbudgeted funds (entity differences)	--	2,565	132,159	--
For accruals and deferrals (basis differences)	1,928	62,268	(42,235)	3,983
For fund structure (perspective differences)	--	(3,319)	--	--
Fund balances, as reported on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances (GAAP basis)	<u>\$ 238,730</u>	<u>\$ 493,062</u>	<u>\$ 504,819</u>	<u>\$ 298,231</u>

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**12. BUDGETARY BASIS OF ACCOUNTING (Cont'd)**

Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following areas for the year ended June 30, 2000:

<u>Fund</u>	<u>Function/Fund-Agency</u>	<u>Appropriations</u>	<u>Expenditures</u>
General Fund:			
	General Government		
	Auditor-Controller	\$ 9,973	\$ 10,395
	Data Systems	9,623	10,673
	Professional Consultants Recovery	442	2,210
	Public Protection		
	Sheriff-Coroner	249,181	249,259
	Sheriff-Coroner Communications	6,564	6,574
	Debt Service		
	Principal Retirement	32,187	32,236

In the General Fund, the general government expenditures in excess of appropriations occurred in Auditor-Controller, Data Systems and Professional Consultants Recovery. The Auditor-Controller and Data Systems departments' excess of expenditures occurred because the departments did not realize all of the intrafund billings that they had projected for the budget. The Professional Consultants Recovery excess of expenditures occurred because the fund reimbursed departments for over charges occurring from FY 94-95 to FY 98-99. In the public protection function, expenditures in excess of appropriations occurred in Sheriff Coroner and Sheriff Coroner Communications because the departments did not realize all of the intrafund billings that they had projected for the budget. In the debt service function, the excess of principal retirement expenditures over appropriations occurred in Trial Courts because expenditures are budgeted at the "Other Charges" level and not at the CAFR line-item level. General Fund expenditures did not exceed budgeted appropriations at the legal level of budgetary control.

**13. ACCOUNTING CHANGE**

In prior years, a portion of disposal fees collected by the Waste Management Enterprise Fund was recorded as deferred revenue and transferred to State mandated escrow accounts and other separate accounts until such funds were needed to pay for closure and any environmental remediation costs incurred. During the year ended June 30, 2000, Waste Management discontinued the deferral of such disposal fees revenue in order to better match revenues with the closure expenses. As a result of this change in accounting, retained earnings as of June 30, 1999 has been restated as follows:

	<u>Airport</u>	<u>Waste Management</u>	<u>Total</u>
Retained earnings, as previously reported	\$ 105,928	\$ 181,673	\$ 287,601
Restatement for accounting change	--	39,349	39,349
Retained earnings, as restated	<u>\$ 105,928</u>	<u>\$ 221,022</u>	<u>\$ 326,950</u>

The effect of this change was to increase the enterprise fund's net income for the year ended June 30, 2000, by \$13,948.



**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**14. RESERVED FUND BALANCES**

Fund balances which are not available for appropriation at June 30, 2000 are reserved for the following purposes:

	General	Special Revenue	Debt Service	Capital Projects	Trust	Component Unit
<b>Assets Not Available for</b>						
<b>Appropriations:</b>						
Encumbrances	\$ 75,804	\$ 61,976	\$ --	\$ 25,664	\$ --	\$ 483
Long-Term Receivables	--	--	17,171	--	--	--
Imprest Cash Funds	1,447	119	--	--	--	--
Employees' Retirement	--	--	--	--	2,708	--
Inventory of Materials						
And Supplies	472	398	--	--	--	--
Prepaid Costs	13	40	--	--	--	--
Land and Improvements						
Held for Resale	--	--	--	3,266	--	--
Redevelopment Loans	--	3,485	--	1,230	--	--
Debt Service	--	--	487,648	--	--	--
External Investment Pools	--	--	--	--	1,359,178	--
Cash Flow Loans	--	2,500	--	--	--	--
Children's Programs	--	--	--	--	--	74,195
Loan Program	--	9,815	--	--	--	--
<b>Fund Balances Reserved by</b>						
<b>Board of Supervisors for a</b>						
<b>Future Purpose:</b>						
Equipment Replacement	--	16,006	--	--	--	--
Low and Moderate Income						
Housing	--	8,863	--	--	--	--
Land Purchase	--	70	--	27,453	--	--
OCHA Operations	--	4,600	--	--	--	--
Future Road Projects	--	41,163	--	--	--	--
Library Contingencies	--	1,817	--	--	--	--
Capital Projects	--	18,383	--	86,766	--	--
General Reserve	--	17,167	--	--	36	--
Maintenance & Construction	35,100	--	--	--	--	--
Operations	17,000	--	--	--	--	--
Other Reserves	109	92	--	600	--	--
Reserved Fund Balance	<u>\$ 129,945</u>	<u>\$ 186,494</u>	<u>\$ 504,819</u>	<u>\$ 144,979</u>	<u>\$ 1,361,922</u>	<u>\$ 74,678</u>

General reserves represent a segregation of a portion of fund balance that is restricted to provide for cash flow financing. General reserves, revenue anticipation notes, interfund loans, or a combination of the three are used by the County to ensure that sufficient cash is available to meet operating needs each fiscal year until property tax revenues are received in December and April. General reserves are increased or decreased by the County Board of Supervisors as part of the annual budget process.

**15. FUND TYPE RECLASSIFICATIONS**

Effective July 1, 1999, the County reclassified \$611 from the "Community Services" category in the special revenue funds type to the discretely presented component unit, "Orange County Children and Families Commission." The County also reclassified \$5,553 from the "Investment Pool" category in the investment trust fund type to the "Departmental Funds" category in the agency fund type and reclassified \$29,440 from the "Trial Court Operations" category in the agency fund type to the "Investment Pool" category in the investment trust fund type. These reclassifications were done to more accurately define the function and purpose of the funds.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**16. ENTERPRISE FUNDS**

A. Airport

The Airport Enterprise Fund was established to account for self-supporting services rendered at John Wayne Airport (JWA). The Airport's staff coordinates and administers the general business activities related to JWA, including concessions, fixed base operations, leased property, and aircraft tiedown facilities. Separate financial statements are also issued for the Airport Enterprise Fund. Copies of the financial statements may be obtained from Airport Accounting Services.

B. Waste Management

This fund was established to provide monies for the operation, expansion, and closing of existing landfills and the opening of new landfills. Monies are collected through gate fees, which users pay based primarily on tonnage. Separate financial statements are also issued for the Waste Management Enterprise Fund. Copies of the financial statements may be obtained from the Integrated Waste Management Department (IWMD).

C. Segment Information for Enterprise Funds

	Airport	Waste Management	Total Enterprise Funds
Operating Revenues	\$ 70,649	\$ 108,406	\$ 179,055
Depreciation	16,393	8,148	24,541
Operating income	25,572	42,694	68,266
Intergovernmental revenues	150	585	735
Operating transfers out	(8,206)	(13,842)	(22,048)
Net income	10,074	43,397	53,471
Current capital contributions	679	--	679
Plant, property and equipment:			
Additions	6,734	14,055	20,789
Deletions	(45)	(546)	(591)
Net working capital	49,094	262,030	311,124
Total assets	396,007	521,173	917,180
Bonds and other long-term liabilities	179,768	223,563	403,331
Total equity	180,277	264,511	444,788

**17. LANDFILL SITE CLOSURE AND POSTCLOSURE COSTS**

State laws and regulations require IWMD to place final covers on its landfill sites when the landfills stop accepting waste and to perform certain maintenance and monitoring functions at the site for a minimum of 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date each respective landfill stops accepting waste, IWMD is required by GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, to report a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date.

All active waste disposal sites are owned by IWMD, with the exception of the Santiago Canyon site, which is leased. In 1990, IWMD closed its Coyote Canyon landfill as this site had reached its maximum capacity.

The \$156,717 reported as the balance of the landfill site closure/postclosure liability at June 30, 2000, represents the cumulative amount accrued based on the percentage of the landfill capacity that has been used to date of 38% less actual costs disbursed related to the closure of the Coyote Landfill. IWMD will recognize the remaining estimated cost of closure and postclosure care of \$164,009 as the proposed capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2000. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. IWMD has landfill capacity permits to operate for 40 more years until the year 2040. With proposed expansion plans, however, IWMD intends to operate the landfills well beyond this date.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**17. LANDFILL SITE CLOSURE AND POSTCLOSURE COSTS (Cont'd)**

In compliance with the California Integrated Waste Management Board, IWMD has elected to make cash contributions to escrow funds to finance closure costs and has executed a pledge of future revenue agreement to assure that adequate funds are available to carry out postclosure care of all landfills. Accordingly, IWMD on an annual basis sets aside cash for the Frank R. Bowerman, Olinda Alpha, Prima Deshecha, and Santiago Canyon landfill sites into a restricted escrow fund, held by the County. As of June 30, 2000, \$38,170 has been set aside for these costs and is included in the accompanying balance sheet as Pooled Cash/Investments – Closure Costs. The state mandated formula under which these contributions are computed will provide for the accumulation of sufficient cash to cover all estimated closure costs when each site reaches maximum capacity. IWMD expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users.

**18. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

At June 30, 2000, major contracts entered into for equipment, land, structures and improvements, and other commitments were as follows, listed by fund type:

	<u>Project Title</u>	<u>Remaining Commitments</u>
<u>General Fund:</u>		
	Central Justice Center – Phase II HVAC/ADA Heating, Ventilation, & Air-Conditioning Improvements to Comply with ADA	\$ 6,752
	Subtotal	6,752
<u>Special Revenue:</u>		
	<u>Road Fund</u>	
	Various Roads Resurfacing and Slurry Seal	2,405
	Foothill Circulation Phasing Plan	
	- Category 3/Backbone 2 Intersection Improvements	1,279
	- Alton-Irvine Boulevard to Foothill Transportation Corridor Construction	1,632
	<u>Flood Control District</u>	
	Flood Related Projects – Professional Services	1,378
	Talbert Channel – Indianapolis to Adams	3,059
	Carbon Creek Channel/Coyote Creek Channel	1,124
	Fullerton Creek Channel – Knott to Beach	5,192
	<u>Harbors, Beaches &amp; Parks</u>	
	Prospect Sports Park	2,000
	Santa Ana Mountains Wildlife Corridor	1,000
	<u>Other Public Protection</u>	
	800 MHz Countywide Coordinated Communications System (law enforcement and public works communications system)	28,468
	Subtotal	47,537
<u>Capital Projects:</u>		
	<u>Criminal Justice Facilities</u>	
	Theo Lacy Building A Phase 2	12,697
	<u>Flood Control District</u>	
	Santa Ana River (Land Acquisition Parcel 45-999)	2,985
	<u>Special Assessment Districts, Community Facilities Districts and Service Areas</u>	
	Irvine Coast Assessment District (Upper Loop Road)	1,377
	Subtotal	17,059

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**18. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Cont'd)**

Enterprise:

<u>Airport</u>	
Reconstruct Taxiway "L"	4,122
<u>Integrated Waste Management</u>	
Olinda Mass Excavation Phase 3	7,720
Valencia Wide Project Construction Phase 2	1,805
Olinda Gas Collection & Control	1,070
Prima Zone 1 Phase B - Mass Excavation	3,888
Santiago Soil Importation	1,015
Frank R. Bowerman – Construction Management/ Construction Quality Assurance Phase V-D	2,700
Subtotal	22,320
Total	\$ 93,668

In addition, the County is involved in the Santa Ana River Mainstem Project. This is a major flood control project, which when fully completed, is designed to prevent the type of devastating damage caused by large-scale flooding which occurs on the average of every one hundred and ninety years in the Santa Ana River flood plain. The Federal Government, Orange County Flood Control District (OCFCD), San Bernardino County Department of Transportation/Flood Control District, and Riverside County Flood Control & Water Conservation District are cost sharing the U.S. Army Corp of Engineers' (COE) estimated total project cost of \$1,300,000. The OCFCD currently estimates its share to be \$413,000 for acquisition of real property rights for construction of the project, relocation of designated roads, bridges, trails, channels and utilities, and construction cost share contributions. This estimate is based on a recent indication of support by the COE for the Federal government to finance 50% of the total Prado Dam costs, subject to Federal appropriations to do so. The cost of the project exceeds OCFCD revenues available for facility improvements. The project has been authorized by the State Legislature, making it eligible for State Flood Control Subventions (reimbursement of 70% of OCFCD eligible expenditures). The State has an estimated amount of \$53,600 budgeted in FY 2000-2001 for the OCFCD's Santa Ana River Mainstem Project. These funds can only be disbursed to the OCFCD after claims are reviewed and approved by the State Department of Water Resources (DWR). Once a claim is reviewed and approved by the DWR, only 90% of the eligible expenditures can be received if funds are available, and the remaining 10% can be received after an audit by the State Controller's Office. To date, the OCFCD has spent approximately \$197,000, submitted \$119,500 in claims for reimbursement of eligible expenditures, and has received \$87,000. The County does not accrue revenue due to the uncertainty of DWR eligibility approval of the reimbursement and due to the typical review completion time period of five to seven years after claims submission.

**19. SELF-INSURANCE**

The County is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment; salary continuance; and providing health benefits to employees, retirees and their dependents. The County has chosen to establish internal service funds (ISFs) where assets are set aside for claim settlements and judgments associated with such losses.

The Workers' Compensation ISF addresses the risks related to employee injury through its Safety Program, which is responsible for injury and illness prevention, and the Workers' Compensation Program, which ensures that all benefits are properly provided and administers the contract for the third party workers' compensation claims administration. Workers' compensation claims are self-funded up to \$5,000. A commercial insurance policy also provides an additional \$5,000 in coverage.

The Property and Casualty Risk ISF is responsible for managing losses related to torts; theft of, damage to and destruction of assets, errors and omissions, civil rights claims, and natural disasters. Tort liability is also self-insured up to \$5,000. Commercial insurance is purchased for property and other risk exposures. Additional excess liability insurance provides up to an additional \$25,000 in liability coverage.

The County first began purchasing commercial insurance for the Workers' Compensation and the Property and Casualty Risk Programs in fiscal year 1997-98 to provide excess coverage. For fiscal years 1997-98, 1998-99, and 1999-00 there were no claims or settlements that exceeded the self-insurance threshold and accordingly, no claims or settlements have been paid by the excess insurance.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**19. SELF-INSURANCE (Cont'd)**

Independent actuarial studies are secured annually for the Workers' Compensation and Property and Casualty Risk ISFs. The unpaid claims liabilities included are based on the results of those annual actuarial studies and include amounts for loss adjustment expenses and claims incurred but not reported. Claim liabilities are calculated considering inflation, claims cost trends including frequency and payout of settlements and judgments, interest earnings, and changes in legal and economic factors. Claims liabilities have been discounted at a rate of 5% to reflect anticipated future investment earnings.

All County departments that have employees contribute to the Workers' Compensation Fund according to the State Controller's method of cost allocation based on employee classifications and claims experience. All departments that have any loss experience in property or casualty are similarly charged for their pro rata share of the ISF costs.

The County has also established the Unemployment Insurance ISF, which covers all employees, and the County Indemnity Health Plans and Self-Insured Benefits ISFs, which provide health, dental and salary continuance for a portion of its employees. The County pays through the State of California the standard unemployment benefits. The health insurance coverage is up to \$2,000 for each covered employee or dependent.

Revenues of the ISFs, when combined with current reserves and future contributions, are expected to provide adequate resources to meet liabilities as they come due.

Changes in the balances of claims liabilities during the past two fiscal years for these self-insurance funds are as follows:

	Workers' Compensation	Property & Casualty Risk	Health & Other Insurance Benefits	Total
Unpaid Claims, Beginning of FY 1998-99	\$ 32,434	\$ 44,215	\$ 8,366	\$ 85,015
Claims and Changes in Estimates	18,060	4,486	34,169	56,715
Claim Payments	(15,029)	(7,393)	(31,840)	(54,262)
Unpaid Claims, End of FY 1998-99	35,465	41,308	10,695	87,468
Claims and Changes in Estimates	25,835	(6,081)	36,732	56,486
Claim Payments	(17,968)	(7,035)	(36,132)	(61,135)
Unpaid Claims End of FY 1999-00	\$ 43,332	\$ 28,192	\$ 11,295	\$ 82,819

There is an additional \$747 in the General Fund for claims payable to management employees for unreimbursed medical expenses, accidental death and dismemberment insurance, health insurance, professional organization fees and, in lieu of the aforementioned, actual cash disbursements.

The increase in the overall cost of workers' compensation claims this period reflects several costly settlements, increases in the costs of permanent disabilities, and a trend in rising medical costs.

The County's loss frequency for Property and Casualty Risk continues to decrease due to the ongoing impacts of city incorporations, which continue to reduce risk exposure. A change in procedure in all Orange County courts continues to reduce the number of lawsuits filed against the County. Cases are resolved promptly which usually results in a lower cost or settlement.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**20. ESTIMATED LIABILITY FOR OTHER LITIGATION AND CLAIMS**

The County records estimates of liabilities for litigation and claims expected to be paid primarily from the General Fund. Estimated liabilities for litigation and claims totaling \$195 have been recorded in the GLTDAG at June 30, 2000, as none of these liabilities are expected to be liquidated with expendable available financial resources.

Sparkes Pit Landfill Regulatory Action. Located in the City of Anaheim, Sparkes Pit is a landfill formerly leased to and operated by the County. The State Water Board and other regulatory agencies are seeking certain improvements to the site to mitigate possible groundwater contamination. In addition, the regulators may require the installation of a landfill gas system. It is likely that the County will incur costs as a result of these regulatory actions. Although the ultimate costs, if any, are unknown, they may be significant. However, the County's Chapter 9 discharge may prove to be an absolute defense to this matter. The County is aggressively seeking to join other parties who participated in past operations of the site to share in the costs of mitigation. At this early stage of the regulatory actions, it is not possible to predict the outcome of these actions or the success of the County's attempt to join other responsible parties.

Hughes Aircraft Co. v. County of Orange. Hughes Aircraft Co. is seeking a refund of property taxes for the tax years 1989 to 1994 for personal property that it contends were owned by the U.S. Government under the terms of its government contracts. Hughes estimates that the total amount to be refunded is \$1,153, plus interest of which the County's share would be approximately 12% of the estimated total to be refunded. This case went to trial and resulted in a Superior Court ruling in favor of Hughes. The County appealed the decision and all briefs required by the Court of Appeal have been completed. It is likely that oral argument in this case will not be scheduled until sometime in the year 2001.

William B. Bunker, etc., et al. v. County of Orange. In this action, Mr. Bunker is seeking damages in the form of property tax refunds for himself and all other similar taxpayers. He contends that the County has consistently violated the statute that requires assessment appeals board hearings to be held within two years. A demurrer filed by the County was overruled; and the County then answered the complaint. Mr. Bunker filed an amended complaint and the County again demurred. The Court sustained the County's second demurrer and gave the plaintiff twenty days to file an amended complaint, which was done. The County will file a demurrer to the Second Amended Complaint. The County denies liability in this case. Both parties are currently in the discovery stage; no trial date has been set. The amount of the loss cannot be estimated at this time, but could be significant.

McCarthy Brothers Companies, Inc. v. County of Orange. On September 30, 1999, the contractor filed action against the County and the Airport seeking approximately \$11,000 in damages, concerning the construction of the Airport's East Parking Structure. On May 23, 2000, the County entered into a settlement agreement with the plaintiff whereby the County paid the contractor \$3,918 in exchange for the release from all liability.

Barratt American Incorporated, et al., v. County of Orange. Plaintiffs claim that the County of Orange has overcharged on its building permit and inspection services since 1992. Specifically, they allege the County has collected fees in excess of the costs of providing the services in the amount of \$16,232 as of May 1999, of which plaintiffs claim they paid only \$42. Plaintiffs further claim the County improperly used some of the alleged surplus to pay for certain administrative expenses arising out of the Orange County bankruptcy proceeding as well as for other services or charges in an amount not known to the plaintiffs. Finally, plaintiffs allege that since May 1999, the County has collected and will collect an estimated \$40,000 in fees pursuant to an alleged defective resolution.

The County denies the allegations and claims that the statutes of limitations and other legal doctrines bar plaintiffs' claims. Additionally, the County asserts the fee challenges could and should have been raised in the County bankruptcy proceeding. Indeed, plaintiff Barratt American submitted a fee refund claim in the bankruptcy matter. A first phase of trial took place on October 30, 2000, for a court determination of certain County defenses including statutes of limitations. Depending upon the outcome of the first trial phase, the court will determine what, if any, factual issues will need to be resolved during a second phase of trial to be scheduled at a later date.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**21. OTHER CONTINGENCIES**

In addition to the accrued liabilities for self-insurance claims incurred but not reported and other litigation and claims described previously, the County is also a defendant in numerous other lawsuits and claims arising from, among other things, breach of contract and tax disputes. Although the aggregate amount asserted in such lawsuits and claims is significant, County management believes that the ultimate outcome of these matters will not have a significant effect on the financial position or results of operations of the funds of the County.

Grant monies received from federal and state sources are subject to audit by these agencies to determine whether expenditures are in compliance with the respective grant provisions. County management does not believe that a material liability will result from these audits.

As the owner and operator of a number of landfill sites, IWMD has potential exposure to environmental liability. IWMD may be required to perform corrective action for contaminate releases at any of its inactive landfills, even if the County no longer owns the site. IWMD is in the process of evaluating its potential exposure to remediation liabilities on closed landfill sites. On the basis of information currently available to management, IWMD management believes it has sufficient reserves for known and anticipated remediation costs.

On August 14, 1997, the Supreme Court of the State of California issued a decision in a case entitled *Ventura County Deputy Sheriffs Association vs. Board of Retirement of Ventura County Employees' Retirement Association*. On October 1, 1997, the decision of the California Supreme Court became final. The Supreme Court held that a county retirement system operating under the provisions of the County Employees Retirement Law of 1937 must include certain types of cash incentive payments and additional pay elements, received by an employee, within the employee's "compensation earnable" and "final compensation" when calculating the employee's retirement benefit.

The County is currently in litigation with OCERS. The County maintains that OCERS improperly applied the decision retroactively and further objects to the inclusion of a certain item in the definition of "compensation earnable" for purposes of calculating pension benefits. The County also maintains that OCERS improperly allocated excess earnings of the retirement system. The matter is coordinated for hearing purposes with other similar actions in San Francisco Superior Court. The action has been certified as a class action lawsuit relative to active, retired, and future members of the system and their beneficiaries. Should the County be successful in its litigation, it could realize reductions in retirement obligations of approximately \$175,000 or in excess of \$15,000 per year for 30 years. Employee organizations have brought legal action to expand on the definition of "compensation earnable" adopted by OCERS. The Court has ruled against some of their claims and the remaining claims will be heard within the next several months. Should employee organizations be successful in the remaining litigation, County costs could increase by an undetermined significant amount.

**22. DEFINED BENEFIT PENSION PLANS**

Orange County Employees Retirement System

Plan Description. Substantially all County employees participate in OCERS, a cost-sharing multiple-employer public employee retirement system established in 1945 under the County Employees' Retirement Law of 1937. The employees of several other smaller units of local government also participate in the system and account for approximately 16.7% of the system membership.

OCERS provides for retirement, death, disability, and cost-of-living benefits, and is subject to provisions of the County Employees' Retirement Law of 1937 and other applicable statutes. Members employed after September 20, 1979, are designated as Tier II members. Members employed prior to September 21, 1979, are designated as Tier I members; the establishment of Tier II resulted in a reduced allowance beginning at age 50. The retirement allowance is based upon the member's age at retirement, final compensation, and the total years of service under the System. If an employee terminates before rendering five years of service, the employee forfeits the right to receive benefits and is entitled to withdraw employee contributions made together with accumulated interest. If an employee terminates after five years of service, the employee may elect to leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued.

OCERS issues a stand alone annual financial report, which can be obtained by writing to the Orange County Employees Retirement System, 2223 Wellington Avenue, Santa Ana, CA 92701 or by calling (714) 558-6200.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**22. DEFINED BENEFIT PENSION PLANS (Cont'd)**

Funding Policy. In accordance with various Board of Supervisors' resolutions, the County's funding policy is to make periodic contributions to OCERS in amounts such that, when combined with employees' contributions and with investment income, will fully provide for all employees' benefits by the time they retire. From January through August 1999, employer's contributions as a percentage of covered payroll were 1.86% for General members and 26.44% for Safety members. From September 1999 through June 2000, employer's contributions were 2.00% for General members and 24.41% for Safety members.

Covered employees are required to contribute a percentage of their annual compensation to OCERS as a condition of employment. For Tier I members, the normal rate of contribution is based on the member's age at entry in OCERS, and is calculated to provide an annual annuity equal to 1/200 of the member's "final compensation" for each year of service rendered at age 60 for General members, and at the age of 50 for Safety members. For Tier II General members, the rate of contribution is calculated to provide an annual annuity equal to 1/120 of the member's "final compensation" for each year of service rendered at age 60. For Tier II Safety members, the rate of contribution is calculated to provide an annuity equal to 1/100 of the member's "final compensation" for each year of service rendered at age 50.

The Pension Liability or Asset at transition was calculated in accordance with the provisions of GASB Statement No. 27 and was zero at transition and the effective date.

The County's 1999 contribution represented 74% of total contributions required of all participating entities.

In September 1994, pursuant to an agreement with OCERS, the County issued \$320,040 in taxable Pension Obligation Bonds (POB). The Bonds were issued to refund the prior service portion of the County's retirement obligations. OCERS established a County Investment Account (Investment Account) with the POB proceeds in the amount of \$318,300. For FY 1995-96, the County reached an agreement with OCERS to use the Investment Account to fund both the normal cost and UAAL portions of the County's required employer retirement contributions. In 1996, the County and the Retirement Board entered into an agreement for the use of the Investment Account over a new funding period of 20 years. The agreement provides for the Investment Account to be used to fund the County's employer contribution in a decreasing percentage each year. In 1999, the Investment Account funded approximately 99.5% of the County's employer contribution and the County made cash contributions for the remaining .5%. For FY 1999-2000, the Investment Account Agreement allowed for 80% of the employer contribution to be paid from the Investment Account. In subsequent years the portion of normal costs paid from bond proceeds would be adjusted by a reduction of 5% of normal costs each year for 20 years, increases or decreases in relation to changes in the UAAL, and returns on investments which varied from anticipated.

Because the returns in the Investment Account have been higher than anticipated, the required annual percentage of employer contributions has remained low. The following table shows the County's required contributions and the percentage contributed, for the current year and each of the two preceding years:

<u>Year Ended</u>	<u>County Cash Contribution</u>	<u>OCERS Investment Account Contribution</u>	<u>Total Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/98	\$ 2,797	\$ 41,259	\$ 44,056	100%
06/30/99	1,284	44,004	45,288	100%
06/30/00	232	50,262	50,494	100%

**Defined Benefit Retirement Plan**

Plan Description: In January 1992, the County adopted the 1992 Defined Benefit Retirement Plan. The Plan is a single-employer defined benefit retirement plan for employees performing services based on less than half-time or as extra help. The Plan was adopted to comply with the Omnibus Budget Reconciliation Act of 1990. Eligible employees of this plan are not covered by OCERS.

The normal retirement benefits for a participant who retires on or after the normal retirement date is a monthly amount equal to one-twelfth of two percent of the participant's career earnings during the first 30 years of credited service. The normal retirement date is the first day of the month coinciding with or immediately preceding a participant's 65<sup>th</sup> birthday. The County Board of Supervisors has full authority to amend or establish plan or benefit provisions at any time in accordance with the plan.



**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**22. DEFINED BENEFIT PENSION PLANS (Cont'd)**

As of June 30, 2000, the plan consists of 1,358 active plan participants, ten terminated plan participants entitled to but not yet receiving benefits, and four retirees receiving benefits.

The plan's financial statements are prepared using the accrual basis of accounting. Plan participant and County contributions are recognized in the period in which contributions are due. Investments are reported at fair value as further described in Note 2.F and are fully invested in the County Pool as described in Note 3. The plan has not issued separate stand-alone financial statements.

Funding Policy: Plan participants are required to contribute between 2.5 and 7.5 percent of their annual covered compensation based upon their attained age as of January 1 of each calendar year. Based on the plan actuary's advice, the County determines the amount necessary for contribution to the plan. Since the plan's inception, there have been no County contributions. The annual required contribution is equal to:

- Normal cost
- Minus employee contribution
- Plus 30 year amortization of the unfunded actuarial accrued liability

Annual Pension Cost: GASB Statement No. 27 requires the County to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the County's annual required contribution is the total of (a) normal cost, (b) minus employee contribution, (c) plus 30-year amortization of the unfunded actuarial liability. The actuary has determined that interest on the net pension obligation is immaterial for the year ended June 30, 2000.

For the fiscal year ended June 30, 2000, the County's annual required contribution was \$22. The required contribution was determined as part of the June 30, 2000 actuarial valuation using the traditional unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment return (net of administrative expenses), (b) the 1983 Group Annuity Mortality table for Males and Females, and (c) projected annual salary increases of 4% a year (used to project future payroll only). Both (a) and (c) include a 3% annual inflation component. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 30 years.

The actuarial valuation date for year 2000 has been changed to June 30 from January 1. The change in accrued liability due to the change of valuation date is insignificant.

Orange County Defined Benefit Retirement Plan  
Schedule of Funding Progress  
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/94	\$ 957	\$ 1,023	\$ 66	93.5%	\$ 10,903	0.6%
01/01/98	\$ 2,058	\$ 2,178	\$ 120	94.5%	\$ 10,862	1.1%
06/30/00	\$ 2,666	\$ 3,750	\$ 1,084	71.1%	\$ 18,920	5.7%

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**22. DEFINED BENEFIT PENSION PLANS (Cont'd)**

Schedule of Employer Contributions  
(Amounts in Thousands)

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1998	\$ 3	0%	\$ 3
1999	\$ 3	0%	\$ 6
2000	\$ 22	0%	\$ 28

The two preceding schedules include information determined as part of the actuarial valuations at the dates indicated.

**23. POSTRETIREMENT HEALTH CARE BENEFITS**

In addition to providing pension benefits, the County makes health care benefits available for 4,088 retired employees. These health care benefits are funded by a .5% salary contribution from current employees, contributions from the OCERS Additional Retirement Benefit Account, and contributions from the retirees themselves. The County recognizes the cost of these benefits by reporting as expenditures in various funds periodic insurance premiums and claims, which were \$17,974 in FY 1999-00.

Participants for County administered retiree health care must be eligible to retire and have at least ten years of County service and have reached the age of 50. Participants must also be receiving a monthly retirement allowance from the OCERS and be enrolled in a County health plan at the time of retirement.

The retiree medical grant amount for calendar year 2000 is set at \$12.13 per month for each year of County service to a maximum of 25 years. For FY 1999-2000, the retiree medical program contributed \$8,210 towards retiree medical insurance costs. The County of Orange Board of Supervisors approved the establishment of the retiree medical program on August 1, 1993.

At the beginning of each month, the County of Orange and OCERS determine eligibility. The appropriate funds are then applied to the retirees' monthly pension benefit.

**24. DEFERRED COMPENSATION PLAN**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 (Deferred Compensation Plan), which permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or certain other cases. In addition, the County provides an employer paid deferred compensation plan for its executives and elected officials.

On January 1, 1998, the County placed all Plan assets in trust accounts for the exclusive benefit of the participants and their beneficiaries, in order to comply with the Small Business Job Protection Act of 1996. Consequently, the County's financial statements do not include Plan assets.

At June 30, 2000, assets with a current market value of \$391,104 were in the Plan's trust accounts.

**COUNTY OF ORANGE**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (Cont'd)**  
**FOR THE YEAR ENDED JUNE 30, 2000**  
**(Dollar Amounts in Thousands)**

**25. SUBSEQUENT EVENTS**

The following events occurred subsequent to June 30, 2000:

A. New Investment Policy Statement

On June 20, 2000, the County Board of Supervisors approved a new Investment Policy Statement (the "New IPS"). The New IPS took effect on July 1, 2000, and makes the following changes to the prior investment policy: The New IPS establishes a Money Market Fund and an Extended Fund as components of the Commingled Pool and Educational Pool (as of October 31, 2000, the Educational Pool is not participating in the Extended Fund). The Treasurer shall determine, on a cash flow basis, the percentage of monies to be invested in both the Money Market Fund and Extended Fund. The maximum maturity of investments under the Money Market Fund is 13 months with a maximum weighted average maturity of 90 days. The maximum maturity of the Extended Fund is 3 years, with a maximum weighted average of 18 months.

B. El Toro Master Lease

Effective September 1, 2000, the County of Orange entered into a Master Lease with the Federal Government for the property encompassed by the former El Toro Marine Corps Air Station, El Toro, California. The property leased to the County is approximately 3,500 acres in size. The Master Lease is a fence-line to fence-line lease for a term of five (5) years. The County is not required to pay rent to the Federal Government under this Master Lease, but is required to provide maintenance and security for the property. The costs to the County of providing these services are estimated to range from \$5,000 to \$8,000 annually.

C. Teeter Plan Revenue Bonds

- On October 27, 2000, the Orange County Special Financing Authority purchased and retired \$2,400 of Teeter Plan Revenue Bonds 1995 Series A, leaving \$2,600 of Series A bonds outstanding.
- On November 1, 2000, the mandatory tender of the Teeter Plan Revenue Bonds 1995 Series D occurred. The original \$34,000 Series D bonds were remarketed and have a variable interest rate that will be determined on a weekly basis.

D. Measure H Passage: Limitation on Uses of Tobacco Settlement Revenue

On November 7, 2000, Orange County voters passed Measure H, which will require the County to utilize its share of the national tobacco litigation settlement revenues, estimated to range from \$30,200 to \$46,300 annually over the next 39 years, in the following percentages:

- 80% for specified health care services
- 20% for public safety